

FY 1999-2000 APPROPRIATIONS REPORT



**SENATE FISCAL AGENCY
LANSING, MICHIGAN**

AUGUST 1999

THE SENATE FISCAL AGENCY

The Senate Fiscal Agency is governed by a board of five members, including the majority and minority leaders of the Senate, the Chairperson of the Appropriations Committee of the Senate, and two other members of the Appropriations Committee of the Senate appointed by the Chairperson of the Appropriations Committee with the concurrence of the Majority Leader of the Senate, one from the minority party.

The purpose of the Agency, as defined by statute, is to be of service to the Senate Appropriations Committee and other members of the Senate. In accordance with this charge the Agency strives to achieve the following objectives:

1. To provide technical, analytical, and preparatory support for all appropriations bills.
2. To provide written analyses of all Senate bills, House bills and Administrative Rules considered by the Senate.
3. To review and evaluate proposed and existing State programs and services.
4. To provide economic and revenue analysis and forecasting.
5. To review and evaluate the impact of Federal budget decisions on the State.
6. To review and evaluate State issuance of long-term and short-term debt.
7. To review and evaluate the State's compliance with constitutional and statutory fiscal requirements.
8. To prepare special reports on fiscal issues as they arise and at the request of members of the Senate.

The Agency is located on the 8th floor of the Victor Office Center. The Agency is an equal opportunity employer and is subject to the Americans with Disabilities Act.



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STATE APPROPRIATIONS SUMMARY

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The Legislature completed action on all fiscal year (FY) 1999-2000 appropriation bills, with the exception of the Capital Outlay appropriation bill, on June 17, 1999. This marked the earliest legislative completion of the parameters of a State budget in recent times.

Legislative action on the FY 1999-2000 budget focused on two principal issues. The first was a decision as to what action should be taken to deal with a significant increase in estimated General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenues above the level upon which the Governor's budget proposal to the Legislature was originally based. The second major budget issue involved the appropriation of the State's initial share of revenues to be received as a result of the national settlement between the states and the tobacco industry. These two topics were the most debated issues in the formulation of the FY 1999-2000 State budget.

In terms of a final decision on what to do with excess estimated State revenues, the Legislature decided to: 1) appropriate a portion of the additional revenue, 2) provide business tax relief with a portion of the additional revenue, and 3) withhold any legislative action on the balance of the additional revenue. This final action likely means that the Legislature will review the overall budget estimates in the fall 1999 legislative session.

In regard to the tobacco settlement revenues, the final legislative decision involved the appropriation of a majority of the settlement funds for education and health programs. More information on these specific appropriations is contained in the State Appropriations Summary, below.

The FY 1999-2000 appropriations enacted by the Legislature can best be characterized as a continuation type of budget. The Legislature did make a significant level of one-time FY 1998-99 supplemental appropriation items out of surplus FY 1998-99 GF/GP revenues at the same time the FY 1999-2000 appropriation bills were enacted.

FY 1999-2000 APPROPRIATIONS

On an overall basis, the Legislature and the Governor approved Adjusted Gross appropriations^{a)} totaling \$34.6 billion. This represents an increase of \$1.6 billion or 4.9% over FY 1998-99 year-to-date appropriations. Enacted State Spending from State Resources appropriations^{b)} totaled \$24.1 billion, an increase of \$788.5 million or 3.4% over FY 1998-99 year-to-date appropriations. Enacted GF/GP appropriations^{c)} totaled \$9.2 billion, a decrease of \$72.7 million or 0.8% under FY 1998-99 year-to-date appropriations. These enacted appropriation numbers include the assumed passage of the FY 1999-2000 Capital Outlay appropriation bill still pending in the Legislature. Table A and Figure 1 summarize these enacted appropriations by source of funds.

Major Changes in State Appropriations

Tables B, C and D and Figures 2, 3 and 4 provide a detailed comparison of enacted FY 1999-2000 appropriations with year-to-date FY 1998-99 appropriations. The tables present appropriation detail in terms of Adjusted Gross, State Spending from State Resources, and GF/GP appropriations.

a) Adjusted Gross appropriations are defined as Gross appropriations less interdepartmental grants received.

b) State Spending from State Resources appropriations are defined as Adjusted Gross appropriations less Federal, Local, and Private funds.

c) General Fund/General Purpose appropriations are defined as State Spending from State Resources appropriations less State Restricted appropriations.

The following information contains a brief summary of the major FY 1999-2000 appropriation changes in each budget area. All numbers refer to GF/GP appropriations unless otherwise noted.

Agriculture: The enacted budget contains a \$2.1 million increase for Project GREEN (Generating Research and Extension to meet Environmental and Economic Needs) at Michigan State University and an increase of \$2.4 million of funding for horse racing programs to offset a reduction in horse racing wager revenue available for appropriation.

Attorney General: The enacted budget includes additional funding for the hiring of new attorneys in the Casino Control Division and the Retirement Division.

Career Development: The enacted budget includes full-year funding for the new Department of Career Development. The Department of Career Development was established by Executive Order 1999-1 and includes the job training functions of the former Michigan Jobs Commission. The enacted budget provides for increases in funding for independent living centers, pre-college engineering programs, and economic adjustments for other programs.

Capital Outlay: The enacted budget contains \$246.1 million of funding for debt service retirement on State Building Authority bonds. The Legislature is expected to complete action on the remainder of the Capital Outlay appropriation bill in the fall legislative session.

Civil Rights: The enacted budget contains economic adjustments and no major policy changes.

Civil Service: The enacted budget contains economic adjustments and no major policy changes.

Community Colleges: The enacted budget contains a 5.55% increase for the operations of the State's 28 community colleges. The 5.55% funding increase is distributed with 2.55% across-the-board to each community college and 3.0% through the Gast-Mathieu funding formula. This distribution of operational funding leads to increases for each college ranging between 2.55% and 12.57%.

Community Health: The enacted budget contains adjustments for assumed caseloads and matching Federal funds in the Medicaid program and also provides for a variety of funding increases of Medicaid providers. These increases include a 4.0% increase for Qualified Health Plans, a 3.1% increase for hospitals, a 4.0% increase for noncapitated providers, an 11.0% increase for home health visits, and a 4.0% increase for nursing homes. The budget also contains the funding for a new senior citizen prescription drug program and a long-term care policy advisor funded from tobacco settlement revenues.

Consumer and Industry Services: The enacted budget contains a \$1.6 million Gross and \$400,00 GF/GP funding increase to provide for the hiring of 16 new State nursing home inspectors.

Corrections: The enacted budget provides for an 8.6% increase in overall funding. This funding increase consists of basic operational expenses and the expenses associated with the opening of 5,465 new prison beds during FY 1999-2000.

Education: The enacted budget includes \$750,000 of new funding for a new data system designed to electronically link all K-12 school districts with the Department and to provide reports over the Internet. The enacted budget also shifts the funding of the Michigan Educational Assessment Program (MEAP) test from GF/GP funding to tobacco settlement funds.

Environmental Quality: The enacted budget contains a \$14.8 million reduction in environmental cleanup funding to reflect the projected amount of restricted revenues available for this program.

Executive Office: The enacted budget contains funding for economic adjustments including the salary adjustments for the Governor and Lieutenant Governor as recommended by the State Officers Compensation Commission.

Family Independence Agency: The enacted budget is highlighted by adjustments in funding that are necessary as a result of projected caseload revisions combined with Federal requirements that the State continue its level of funding for the Temporary Assistance for Needy Families (TANF) program. The continuing drop in TANF caseloads has contributed to increasing the amount of funding required to provide day care services for TANF recipients entering the workforce. The enacted budget also provides for a 2.7% rate increase for foster care providers effective January 1, 2000.

Higher Education: The enacted budget contains a 5.4% overall increase for the operations of the State's 15 public universities, with increases ranging from 3.3% to 8.6%. The enacted budget also provides for a 3.3% increase for all State-funded financial aid programs and an \$86.3 million appropriation of tobacco settlement funds to fund college scholarships through the new Michigan Merit Award Scholarship Program.

Judiciary: The enacted budget contains a \$1.0 million reduction in funding for the Appellate Public Defender Program. The enacted budget also contains the funding increases to pay for 8.0% increases in judges' salaries in 1999 and a 4.5% increase in judges' salaries in 2000, as determined by the State Officers Compensation Commission.

Legislative Auditor General: The enacted budget includes economic increases for office operations and an 11.3% increase in the Auditor General's salary from \$106,000 to \$118,000.

Legislature: The enacted budget contains \$6.5 million of funding for the lease cost and operations of the new House Office Building. Of that amount, \$1,087,500 was already in the FY 1998-99 base appropriation. The enacted budget also contains \$2.4 million of funding increases for the Senate for furniture purchases, automated data processing expenses, and other costs.

Library of Michigan: The enacted budget contains funding for 3.0 new positions, automation improvements, full funding of State aid to libraries, adjustments to reflect available revenue, and economic increases.

Management and Budget: The enacted budget contains increased funding for a statewide land database and also provides for economic increases across the Department.

Military Affairs: The enacted budget contains \$2.0 million of funding for a tuition reimbursement program for National Guard members and \$0.8 million of funding for a new program to have the National Guard assist in the rehabilitation of delinquent youths.

Natural Resources: The enacted budget includes funding from the Game and Fish Protection Fund to hire 10 additional conservation officers and to purchase in-car computers for conservation officers.

School Aid: The enacted School Aid budget provides for K-12 School Aid appropriations for three fiscal years (FY 1998-99, FY 1999-2000, FY 2000-01). The FY 1998-99 supplemental appropriations include adjustments resulting from a reestimation of the School Aid budget previously enacted. The FY 1999-2000 School Aid appropriations provide adjustments to School Aid appropriations enacted in 1998. These adjustments include an increase in the basic foundation allowance of \$44 per pupil, which provides for an overall 4.2% increase in the base foundation allowance. Numerous other adjustments to the previously enacted FY 1999-2000 appropriations include a \$15.0 million grant to the Detroit Public Schools. The FY 2000-01 School Aid appropriations provide for a 2.9% increase in the basic foundation allowance, as well as a change in how pupil counts are calculated in future fiscal years.

State: The enacted budget contains \$1.2 million of additional funding for the implementation of drunk drivers repeat offender legislation.

State Police: The enacted budget contains a \$1.3 million increase in funding for grants to county sheriffs for secondary road patrols and funding for a trooper recruit school in August 2000 to keep trooper strength at current levels.

Strategic Fund Agency: The enacted budget includes full-year funding for the new Strategic Fund Agency. This agency was established by Executive Order 1999-1 and includes the economic development functions of the former Michigan Jobs Commission. The enacted budget contains funding for economic increases.

Transportation: The enacted budget provides funding for transportation projects at the State and local levels distributed pursuant to statutory requirements.

Treasury: The enacted budget provides funding for the second year of a multiyear plan to improve tax collection technology.

Treasury-Revenue Sharing: The enacted budget provides for an \$81.8 million or 5.9% increase in constitutional and statutory revenue sharing payments to cities, villages, townships, and counties.

Unclassified Salaries: The enacted budget contains 3.0% increases in unclassified salaries in most State departments, and an additional increase of approximately 5.0% was appropriated to the Department of Management and Budget to be distributed for additional unclassified salary adjustments in State departments.

GUBERNATORIAL VETOES

The Governor, through his constitutional line-item veto authority, vetoed \$28.0 million of Adjusted Gross and \$713,300 of FY 1999-2000 GF/GP appropriations. These vetoes are summarized in [Table E](#) and discussed in detail in the individual departmental sections of this report.

FEE INCREASES

The FY 1999-2000 budget includes \$4.1 million of new fee revenue. Table F provides a summary of those fee increases.

TOBACCO SETTLEMENT APPROPRIATIONS

As part of a settlement agreement between the states and the United States tobacco industry, the State of Michigan is scheduled to receive \$383.4 million of tobacco settlement funds during FY 1999-2000. These funds are subject to the legislative appropriation process. Table G provides a summary of the enacted FY 1999-2000 appropriations of tobacco settlement funds. The Legislature approved tobacco settlement appropriations of \$284.6 million, leaving \$98.8 million of tobacco settlement funds not yet appropriated. In addition to the line item appropriations included in Table G, there is a boilerplate appropriation in the Department of Career Development which provides funding to the Council of Michigan Foundations. The appropriation will consist of revenue generated from the interest on the portion of the settlement revenue received by the State that is not deposited into the Michigan Merit Award Trust Fund. The amount of this appropriation is undetermined.

The tobacco settlement fund appropriations can be characterized as both ongoing appropriations and one-time appropriations. In addition, a portion of the tobacco settlement funds is appropriated as trust fund revenues and a portion is appropriated as non earmarked revenues. The \$98.8 million of FY 1999-2000 tobacco settlement funds not yet appropriated will be available for future State budget needs.

PROJECTED YEAR-END BALANCE

The level of FY 1999-2000 appropriations approved by the Legislature and signed into law by the Governor was based on a consensus estimate of the level of GF/GP and School Aid Fund revenue available for expenditure. The FY 1999-2000 consensus revenue estimates that were the basis for the budget were developed at the Consensus Revenue Estimating Conference held on May 17, 1999. The FY 1999-2000 GF/GP and School Aid Fund budgets enacted into law provide a balance between estimated revenues and expenditures pursuant to constitutional requirements.

Table H provides a summary of the FY 1999-2000 GF/GP year-end balance. The projected year-end balance of \$218.0 million will carry forward and be available to support FY 2000-01 appropriations unless additional budget adjustments are enacted by the Legislature. Table I provides a summary of the FY 1999-2000 School Aid Fund year-end balance. The projected balance of \$377.3 million will carry forward and be available to support FY 2000-01 School Aid expenditures.

STATE EMPLOYMENT LEVELS

Table J and Figure 5 provide a summary of State classified full-time equated (FTE) employees appropriated in FY 1999-2000 versus the level appropriated in FY 1998-99. Total appropriated FTE employees in FY 1999-2000 are 63,362.9, an increase of 1,343.8 employees, or 2.2% from the prior year. As has been the case over recent years, the employment level of the Department of Corrections represents the largest number of classified FTEs in any one State department. During FY 1999-2000, 19,174.3 FTEs were appropriated in the Department of Corrections, an increase of 1,802.4 FTEs, or 10.4%. These new correctional employees will be needed to staff new prison beds scheduled to come into operation throughout the fiscal year. Excluding the Department of Corrections, FTE employment in all other State departments declined by 458.6 FTEs.

STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Article IX, Section 30 of the State Constitution of 1963 prohibits the State from reducing the portion of State appropriations paid to local units of government below the FY 1978-79 level of 48.97%. The Senate Fiscal Agency estimates that enacted FY 1999-2000 appropriation bills exceed the minimum requirement by \$3.1 billion. Table K provides a summary of the calculations used to determine the State's compliance with this constitutional requirement in FY 1998-99 and FY 1999-2000. Table L lists the State appropriations counted as payments to local units of government in both fiscal years.

FY 1998-99 SUPPLEMENTAL APPROPRIATIONS

Consistent with the practice over the past few years, at the same time the Legislature enacted the initial FY 1999-2000 appropriation bills it also debated and enacted three comprehensive FY 1998-99 supplemental appropriation bills (Public Act 69 of 1999, Public Act 119 of 1999, and Public Act 137 of 1999). These three appropriation bills covered a wide variety of issues including base funding adjustments in the School Aid, Community Health, and Family Independence Agency budgets, special maintenance funding for State and university buildings, a variety of information technology projects, and a series of one-time grants for State government and local government projects. The three supplemental appropriation bills totaled \$810.1 million of Gross appropriations, and \$481.5 million of GF/GP appropriations. The funding for these supplemental appropriations comes from increased estimates of State revenues and Federal funds. Table M provides a detailed summary of these FY 1998-99 supplemental appropriations.

Table A

FY 1999-2000 YEAR-TO-DATE APPROPRIATIONS					
BY SOURCE OF FUNDS					
(Actual Dollars)					
DEPARTMENT	Adjusted Gross	Federal Funds	Local & Private Funds	Other State Rest.	General Funds
Agriculture	\$83,178,100	\$5,249,900	\$871,900	\$31,172,400	\$45,883,900
Attorney General	46,445,500	6,401,700	1,106,800	6,858,200	32,078,800
* Capital Outlay	410,522,381	78,599,550	10,011,600	44,600,100	277,311,131
Career Development	514,857,700	400,323,300	13,474,900	79,920,300	21,139,200
Civil Rights	14,623,300	1,634,000	0	0	12,989,300
Civil Service	26,285,500	4,779,100	1,850,000	8,859,200	10,797,200
Community Colleges	297,228,019	0	0	0	297,228,019
Community Health	8,082,595,300	4,188,318,300	876,009,500	382,122,500	2,636,145,000
Consumer and Industry Services	491,212,600	219,090,000	791,900	193,473,200	77,857,500
Corrections	1,561,026,200	25,686,400	412,800	48,347,900	1,486,579,100
Education	1,000,591,900	928,637,700	6,831,600	27,305,600	37,817,000
Environmental Quality	376,809,900	126,831,500	1,529,300	152,202,700	96,246,400
Executive	5,425,100	0	0	0	5,425,100
Family Independence Agency	3,642,782,400	2,374,089,800	56,397,600	123,565,500	1,088,729,500
Higher Education	1,774,759,308	3,900,000	0	91,550,000	1,679,309,308
Judiciary	224,334,600	3,077,800	4,199,000	56,074,900	160,982,900
Legislative Auditor General	12,816,300	0	0	293,800	12,522,500
Legislature	103,153,500	0	400,000	1,041,800	101,711,700
Library of Michigan	38,977,400	4,557,400	75,000	86,900	34,258,100
Management & Budget	84,924,600	536,400	0	39,579,000	44,809,200
Michigan Jobs Commission	0	0	0	0	0
Military and Veteran Affairs	94,962,000	32,477,400	375,000	22,409,100	39,700,500
Natural Resources (Operations)	237,268,200	22,268,200	1,698,600	161,806,400	51,495,000
Natural Resources Trust Fund	0	0	0	0	0
Natural Resources Bond	0	0	0	0	0
School Aid	10,160,831,200	120,000,000	0	9,620,217,700	420,613,500
State	124,684,500	3,112,100	500,100	60,983,300	60,089,000
State Police	346,542,500	32,216,400	3,479,800	42,126,400	268,719,900
Strategic Fund Agency	168,817,100	53,203,200	656,700	50,050,000	64,907,200
Transportation	2,798,086,200	815,921,000	5,300,000	1,976,865,200	0
Treasury (Debt Service)	94,117,500	0	700,000	0	93,417,500
Treasury (Operations)	293,787,500	39,800,000	2,247,200	188,441,900	63,298,400
Treasury (Revenue Sharing)	1,469,000,000	0	0	1,462,500,000	6,500,000
TOTAL APPROPRIATIONS	\$34,580,646,308	\$9,490,711,150	\$988,919,300	\$14,872,454,000	\$9,228,561,858

* Assumes passage of entire Capital Outlay appropriation bill at Leadership Target Agreement

Figure 1

Appropriations by Source of Funds FY 1999-2000 Year-To-Date Appropriations

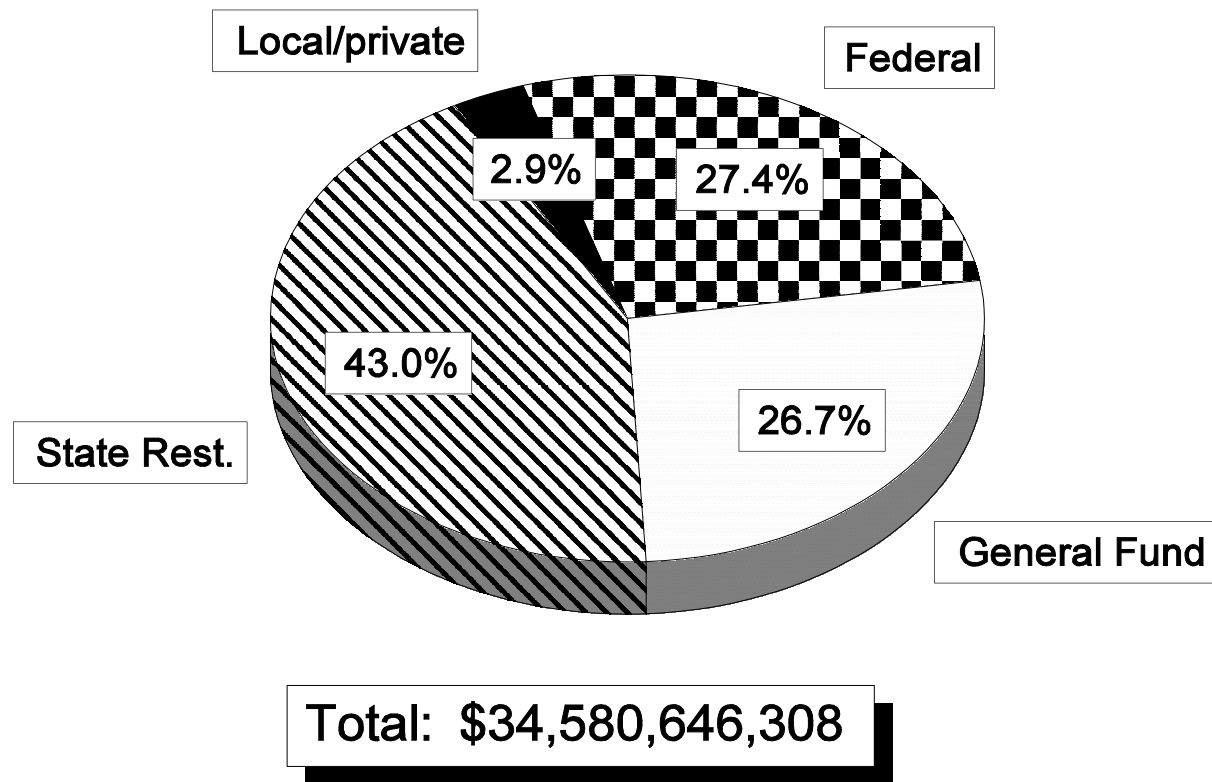


Table B

ADJUSTED GROSS APPROPRIATIONS				
FY 1998-99 VERSUS FY 1999-2000				
(Actual Dollars)				
DEPARTMENT	FY 1998-99 Year-To-Date Appropriations	FY 1999-2000 Year-To-Date Appropriations	Dollar Difference	Percent Change
Agriculture	\$88,684,900	\$83,178,100	(\$5,506,800)	(6.2)
Attorney General	48,086,800	46,445,500	(1,641,300)	(3.4)
* Capital Outlay	665,108,300	410,522,381	(254,585,919)	(38.3)
Career Development	0	514,857,700	514,857,700	0.0
Civil Rights	14,104,800	14,623,300	518,500	3.7
Civil Service	32,156,600	26,285,500	(5,871,100)	(18.3)
Community Colleges	282,000,000	297,228,019	15,228,019	5.4
Community Health	7,661,822,200	8,082,595,300	420,773,100	5.5
Consumer and Industry Services	463,351,000	491,212,600	27,861,600	6.0
Corrections	1,435,335,700	1,561,026,200	125,690,500	8.8
Education	883,894,200	1,000,591,900	116,697,700	13.2
Environmental Quality	393,666,800	376,809,900	(16,856,900)	(4.3)
Executive	5,117,300	5,425,100	307,800	6.0
Family Independence Agency	3,232,181,300	3,642,782,400	410,601,100	12.7
Higher Education	1,604,252,000	1,774,759,308	170,507,308	10.6
Judiciary	217,616,800	224,334,600	6,717,800	3.1
Legislative Auditor General	12,277,200	12,816,300	539,100	4.4
Legislature	94,003,400	103,153,500	9,150,100	9.7
Library of Michigan	37,249,100	38,977,400	1,728,300	4.6
Management & Budget	95,982,600	84,924,600	(11,058,000)	(11.5)
Michigan Jobs Commission	594,636,400	0	(594,636,400)	(100.0)
Military and Veteran Affairs	91,543,300	94,962,000	3,418,700	3.7
Natural Resources (Operations)	226,565,900	237,268,200	10,702,300	4.7
Natural Resources Trust Fund	24,955,508	0	(24,955,508)	(100.0)
Natural Resources Bond	152,383,000	0	(152,383,000)	(100.0)
School Aid	9,615,075,400	10,160,831,200	545,755,800	5.7
State	129,185,700	124,684,500	(4,501,200)	(3.5)
State Police	339,786,900	346,542,500	6,755,600	2.0
Strategic Fund Agency	0	168,817,100	168,817,100	0.0
Transportation	2,765,936,900	2,798,086,200	32,149,300	1.2
Treasury (Debt Service)	94,117,500	94,117,500	0	0.0
Treasury (Operations)	281,299,800	293,787,500	12,487,700	4.4
Treasury (Revenue Sharing)	1,386,600,000	1,469,000,000	82,400,000	5.9
TOTAL APPROPRIATIONS	\$32,968,977,308	\$34,580,646,308	\$1,611,669,000	4.9%

* Assumes passage of entire Capital Outlay appropriation bill at Leadership Target Agreement

Figure 2

Adjusted Gross FY 1999-2000 Year-To-Date Appropriations

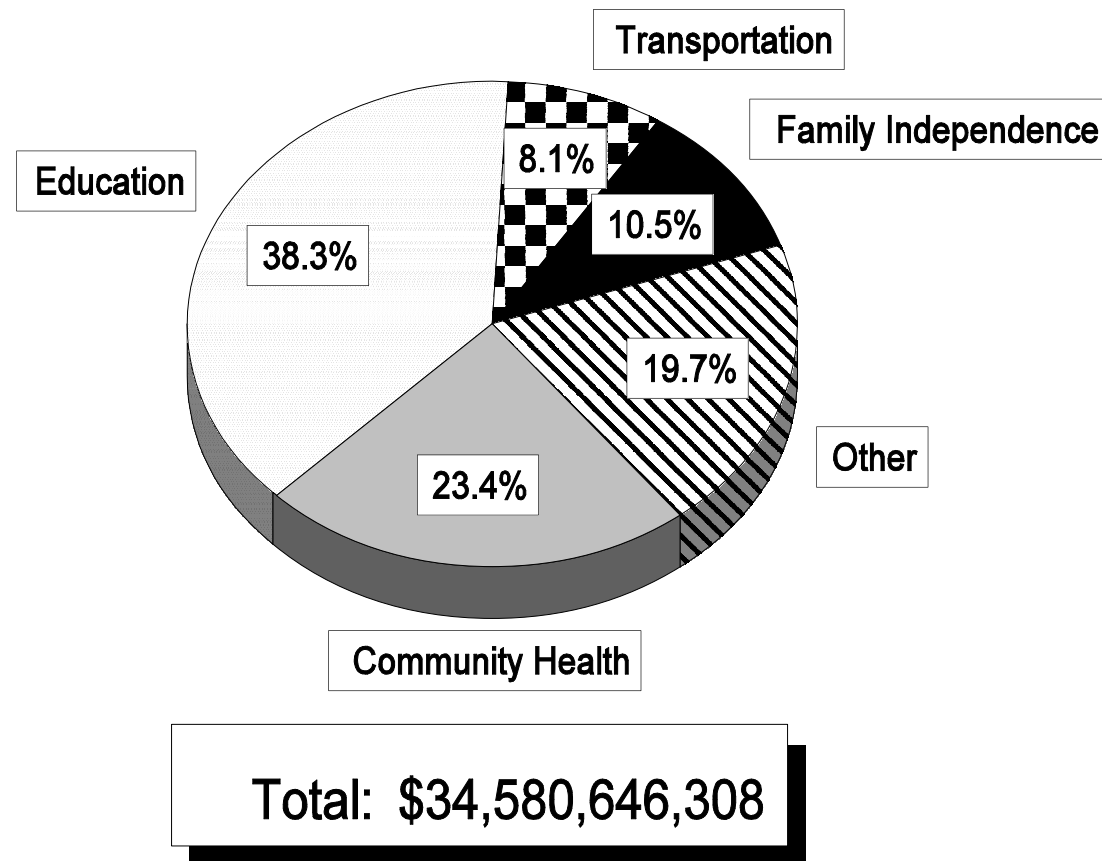


Table C

STATE SPENDING FROM STATE RESOURCES				
FY 1998-99 VERSUS FY 1999-2000				
(Actual Dollars)				
DEPARTMENT	FY 1998-99 Year to Date Appropriations	FY 1999-2000 Year to Date Appropriations	Dollar Difference	Percent Change
Agriculture	\$82,538,800	\$77,056,300	(\$5,482,500)	(6.6)
Attorney General	39,627,500	38,937,000	(690,500)	(1.7)
* Capital Outlay	567,458,700	321,911,231	(245,547,469)	(43.3)
Career Development	0	101,059,500	101,059,500	0.0
Civil Rights	12,504,800	12,989,300	484,500	3.9
Civil Service	30,328,400	19,656,400	(10,672,000)	(35.2)
Community Colleges	282,000,000	297,228,019	15,228,019	5.4
Community Health	2,898,038,600	3,018,267,500	120,228,900	4.1
Consumer and Industry Services	258,034,800	271,330,700	13,295,900	5.2
Corrections	1,415,105,800	1,534,927,000	119,821,200	8.5
Education	59,600,500	65,122,600	5,522,100	9.3
Environmental Quality	265,016,600	248,449,100	(16,567,500)	(6.3)
Executive	5,117,300	5,425,100	307,800	6.0
Family Independence Agency	1,220,890,400	1,212,295,000	(8,595,400)	(0.7)
Higher Education	1,600,500,000	1,770,859,308	170,359,308	10.6
Judiciary	213,158,200	217,057,800	3,899,600	1.8
Legislative Auditor General	12,277,200	12,816,300	539,100	4.4
Legislature	93,603,400	102,753,500	9,150,100	9.8
Library of Michigan	33,064,300	34,345,000	1,280,700	3.9
Management & Budget	95,391,900	84,388,200	(11,003,700)	(11.5)
Michigan Jobs Commission	114,518,900	0	(114,518,900)	(100.0)
Military and Veteran Affairs	61,509,300	62,109,600	600,300	1.0
Natural Resources (Operations)	205,049,700	213,301,400	8,251,700	4.0
Natural Resources Trust Fund	24,955,508	0	(24,955,508)	(100.0)
Natural Resources Bond	152,383,000	0	(152,383,000)	(100.0)
School Aid	9,495,075,400	10,040,831,200	545,755,800	5.7
State	127,201,600	121,072,300	(6,129,300)	(4.8)
State Police	301,737,300	310,846,300	9,109,000	3.0
Strategic Fund Agency	0	114,957,200	114,957,200	0.0
Transportation	1,926,319,100	1,976,865,200	50,546,100	2.6
Treasury (Debt Service)	93,417,500	93,417,500	0	0.0
Treasury (Operations)	239,517,700	251,740,300	12,222,600	5.1
Treasury (Revenue Sharing)	1,386,600,000	1,469,000,000	82,400,000	5.9
TOTAL APPROPRIATIONS	\$23,312,542,208	\$24,101,015,858	\$788,473,650	3.4
* Assumes passage of entire Capital Outlay appropriation bill at Leadership Target Agreement				

Figure 3

State Spending from State Resources FY 1999-2000 Year-To-Date Appropriations

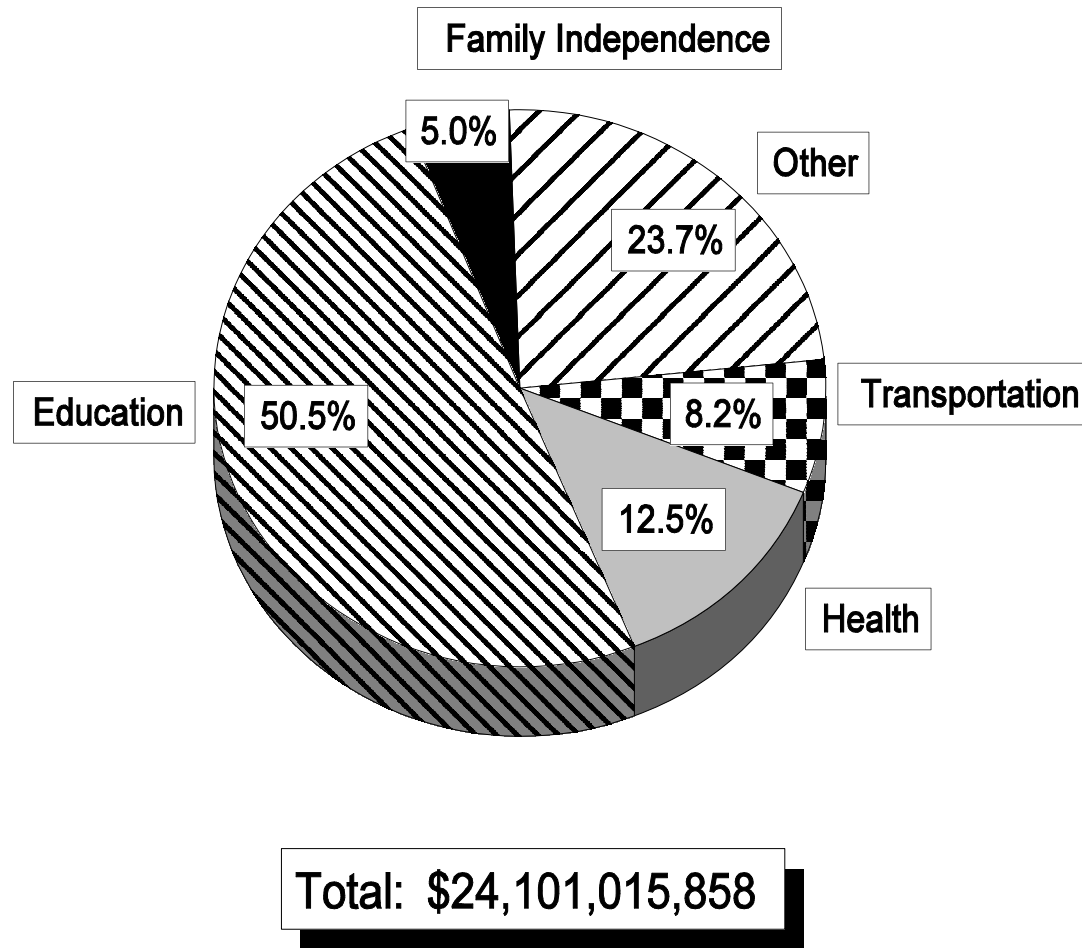


Table D

GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS				
FY 1998-99 VERSUS FY 1999-2000				
(Actual Dollars)				
DEPARTMENT	FY 1998-99 Year-To-Date Appropriations	FY 1999-2000 Year-To-Date Appropriations	Dollar Difference	Percent Change
Agriculture	\$48,887,000	\$45,883,900	(\$3,003,100)	(6.1)
Attorney General	33,187,200	32,078,800	(1,108,400)	(3.3)
* Capital Outlay	519,255,000	277,311,131	(241,943,869)	(46.6)
Career Development	0	21,139,200	21,139,200	0.0
Civil Rights	12,504,800	12,989,300	484,500	3.9
Civil Service	19,659,400	10,797,200	(8,862,200)	(45.1)
Community Colleges	282,000,000	297,228,019	15,228,019	5.4
Community Health	2,606,893,700	2,636,145,000	29,251,300	1.1
Consumer and Industry Services	71,500,000	77,857,500	6,357,500	8.9
Corrections	1,368,557,100	1,486,579,100	118,022,000	8.6
Education	46,143,800	37,817,000	(8,326,800)	(18.0)
Environmental Quality	92,501,300	96,246,400	3,745,100	4.0
Executive	5,117,300	5,425,100	307,800	6.0
Family Independence Agency	1,128,357,900	1,088,729,500	(39,628,400)	(3.5)
Higher Education	1,600,500,000	1,679,309,308	78,809,308	4.9
Judiciary	157,099,300	160,982,900	3,883,600	2.5
Legislative Auditor General	11,983,400	12,522,500	539,100	4.5
Legislature	92,561,600	101,711,700	9,150,100	9.9
Library of Michigan	32,977,400	34,258,100	1,280,700	3.9
Management & Budget	58,138,200	44,809,200	(13,329,000)	(22.9)
Michigan Jobs Commission	109,609,800	0	(109,609,800)	(100.0)
Military and Veteran Affairs	39,581,300	39,700,500	119,200	0.3
Natural Resources	49,650,000	51,495,000	1,845,000	3.7
Natural Resources Trust Fund	0	0	0	0.0
Natural Resources Bond	0	0	0	0.0
School Aid	420,613,500	420,613,500	0	0.0
State	67,974,400	60,089,000	(7,885,400)	(11.6)
State Police	260,023,000	268,719,900	8,696,900	3.3
Strategic Fund Agency	0	64,907,200	64,907,200	0.0
Transportation	0	0	0	0.0
Treasury (Debt Service)	93,417,500	93,417,500	0	0.0
Treasury (Operations)	66,701,900	63,298,400	(3,403,500)	(5.1)
Treasury (Revenue Sharing)	5,900,000	6,500,000	600,000	10.2
TOTAL APPROPRIATIONS	\$9,301,295,800	\$9,228,561,858	(\$72,733,942)	(0.8%)

* Assumes passage of entire Capital Outlay appropriation bill at Leadership Target Agreement

Figure 4

General Fund General Purpose FY 1999-2000 Year-To-Date Appropriations

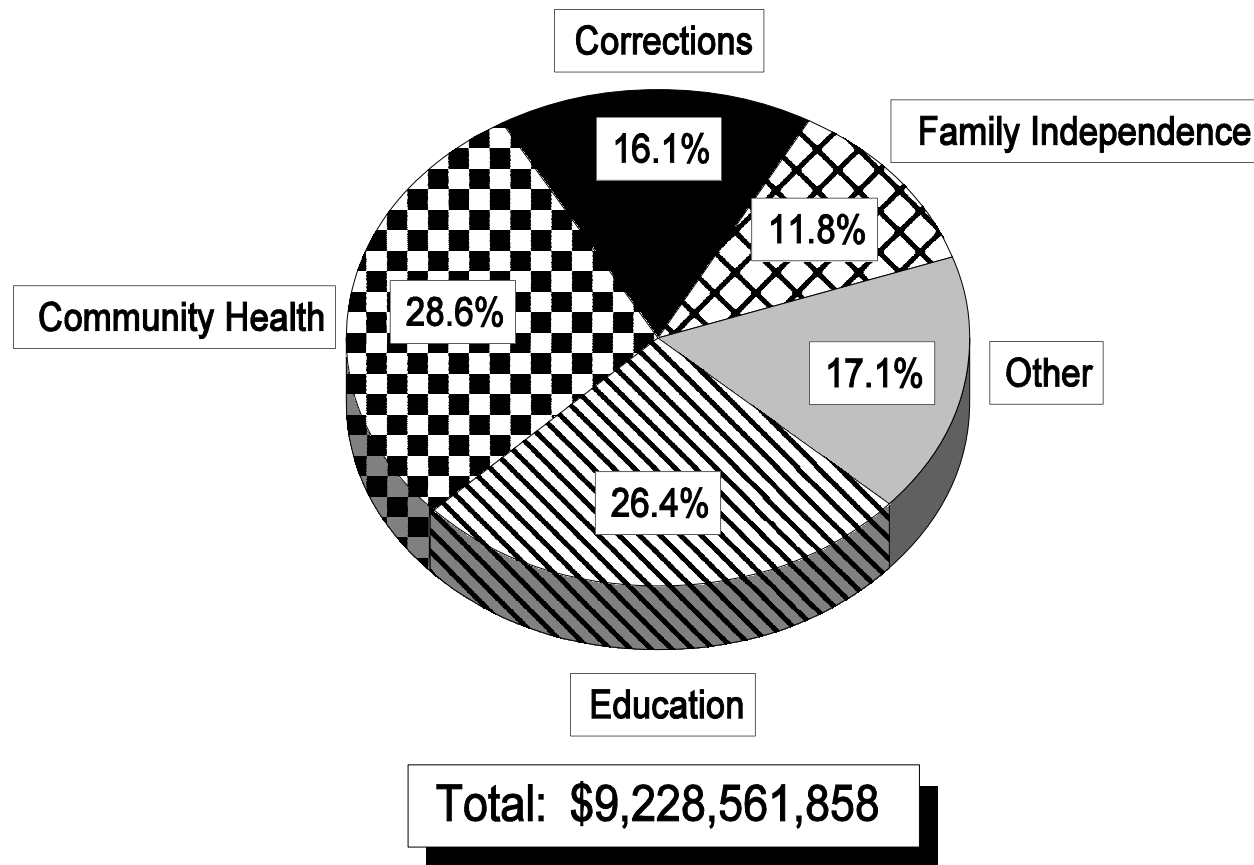


Table E
FY 1999-2000
Line-Item Veto Detail
(actual dollars)

Department/Item	Adjusted Gross	General Fund/ General Purpose
Community Health		
Bay City Lutheran Home	\$500,000	\$0
Environmental Quality		
Retired Engineers Technical Assistance Program University Pilot Program	300,000	0
Research on Department Standards for Children's Health	100,000	0
Family Independence Agency		
Citizenship Assistance Program	55,000	55,000
Higher Education		
Michigan-Latvian Economic Development Project	150,000	150,000
Judiciary		
Separate New Line Item for State Appellate Defender Office	508,300	508,300
School Aid		
Reimbursement to Districts with Pre-Proposal A Millage Rollbacks	5,000,000	0
Project Jump Start (early intervention)	60,000	0
Transportation		
Earmarking of 30% Federal Aid Bridge Funds to Local Systems	15,750,000	0
Congestion Mitigation on U.S. 31	2,000,000	0
Passing Lanes on U.S. 223	3,500,000	0
Interchange Planning/Construction at Pleasant Valley Road and I-96	100,000	0
Total Vetoes	\$28,023,300	\$713,300

Table F

FEE INCREASES INCLUDED in ENACTED FY 1999-2000 BUDGET		
Department/Budget Area	Type of Fee	Fee Revenue Included in FY 1999-2000 Budget
Community Health	Newborn screening fee increase (S.B. 592, pending Senate enrollment)	\$1,221,300
Consumer and Industry Services	Fire safety inspection fee increase (P.A. 122 of 1999)	241,000
Environmental Quality	Extension of sunset for land and water permit fees (P.A. 106 of 1999)	990,000
	Extension of sunset for storm water discharge permit fees (P.A. 35 of 1999)	900,000
	Extension of sunset for baseline environmental assessment fees (P.A. 30 of 1999)	350,000
	Hazardous materials transportation permit fee (new) (P.A. 138 of 1998)	114,300
	Extension of sunset for aquatic nuisance control fee (P.A. 41 of 1999)	95,900
Judiciary	Law examination fee increase (bill not yet introduced)	150,000
Total		\$4,062,500

Table G

FY 1999-2000 Tobacco Settlement Appropriations (millions of dollars)			
	Department	Fund Source ^{a)}	FY 1999-2000 Appropriation
One-Time Appropriations			
Michigan Technical Education Center Expansion	Career Development	Nonearmarked	\$75,000,000
Long-Term Health Care Innovation Grants	Community Health	Nonearmarked	10,000,000
Ongoing Appropriations			
Senior Citizen Prescription Drug Program	Community Health	Nonearmarked	30,000,000
Personal Needs Allowance	Community Health	Nonearmarked	5,000,000
Long-Term Health Care Advisor	Community Health	Nonearmarked	3,000,000
Respite Care Services	Community Health	Nonearmarked	5,000,000
Health and Aging Research & Development	Strategic Fund Agency	Nonearmarked	50,000,000
Merit Award Scholarships	Higher Education	Trust Fund	86,300,000
Tuition Incentive Program	Higher Education	Trust Fund	5,250,000
Michigan Education Assessment Program	Education	Trust Fund	13,000,000
Merit Award Scholarship Board	Treasury	Trust Fund	2,000,000
Total Appropriations			\$284,550,000
Projected Tobacco Settlement Funds			\$383,400,000
Settlement Funds Not Appropriated			\$98,850,000
a) Nonearmarked funds refer to all tobacco settlement funds not deposited into the Michigan Merit Award Trust Fund created by Public Act 94 of 1999.			

Table H

FY 1999-2000 General Fund/General Purpose Revenues, Expenditures and Year-End Balance (millions of dollars)	
	7-20-99
	SFA Estimate
REVENUES:	
Beginning Balance	\$ 15.7
Baseline Consensus Revenue Estimate	10,004.5
Non-Baseline Revenue Adjustments	(309.8)
Michigan Bell Court Case Fix	35.2
Single Business Tax Rate Reduction	(210.9)
Expand Sales and Use Tax Rolling Stock Exemption	(2.5)
Expand Sales and Use Tax Industrial Processing Exemption	(13.5)
Total Revenues	\$9,518.7
EXPENDITURES:	
Enrolled Appropriations	\$8,531.9
Governor's Vetoes	(0.7)
Capital Outlay Target	277.3
School Aid General Fund/General Purpose Grant (P.A. 339 of 1998)	420.6
Revenue Sharing Adjustment to Governor's Recommendation	34.5
Budget Stabilization Fund Formula Pay-In	37.1
Total Expenditures	\$9,300.7
PROJECTED YEAR-END BALANCE	\$ 218.0

Table I

FY 1999-2000 School Aid Fund Revenues, Expenditures and Year-End Balance (millions of dollars)	
	6-21-99 SFA Estimate
REVENUES:	
Beginning Balance	\$ 435.1
Baseline Consensus Revenue Estimate	9,528.1
Non-Baseline Revenue Adjustments	0.0
Michigan Bell Use Tax Fix	24.8
Governor's Sales and Use Tax Changes	(17.4)
General Fund/General Purpose Grant	420.6
Federal Aid	120.0
BSF Transfer for Durant Payments	32.0
TOTAL AVAILABLE REVENUES	\$10,543.2
EXPENDITURES:	
Original Appropriations (P.A. 339 of 1998)	\$9,939.0
Supplemental Appropriations (P.A. 119 of 1999)	226.9
Projected Appropriation Lapses	---
TOTAL EXPENDITURES	\$10,165.9
PROJECTED YEAR-END BALANCE	\$ 377.3

Table J

FULL-TIME EQUATED POSITIONS				
FY 1998-99 VERSUS FY 1999-2000				
DEPARTMENT	FY 1998-99 Year-To-Date Positions	FY 1999-2000 Year-To-Date Positions	Position Change	Percent Change
Agriculture	598.5	599.5	1.0	0.2
Attorney General	568.0	569.0	1.0	0.2
Capital Outlay	0.0	0.0	0.0	0.0
Career Development	0.0	1,066.0	1,066.0	0.0
Civil Rights	166.5	166.5	0.0	0.0
Civil Service	230.5	230.5	0.0	0.0
Community Colleges	0.0	0.0	0.0	0.0
Community Health	6,305.3	6,130.3	(175.0)	(2.8)
Consumer and Industry Services	4,130.4	4,148.4	18.0	0.4
Corrections	17,371.9	19,174.3	1,802.4	10.4
Education	542.6	542.6	0.0	0.0
Environmental Quality	1,608.7	1,610.7	2.0	0.1
Executive	75.0	75.0	0.0	0.0
Family Independence Agency	13,465.3	13,222.3	(243.0)	(1.8)
Higher Education	1.0	1.0	0.0	0.0
Judiciary	602.0	583.0	(19.0)	(3.2)
Legislative Auditor General	0.0	0.0	0.0	0.0
Legislature	0.0	0.0	0.0	0.0
* Library of Michigan	140.0	0.0	(140.0)	0.0
Management & Budget	945.5	944.0	(1.5)	(0.2)
Michigan Jobs Commission	1,316.0	0.0	(1,316.0)	(100.0)
Military and Veteran Affairs	1,077.0	1,077.0	0.0	0.0
Natural Resources (Operations)	2,224.5	2,237.5	13.0	0.6
Natural Resources Trust Fund	0.0	0.0	0.0	0.0
Natural Resources Bond	0.0	0.0	0.0	0.0
School Aid	0.0	0.0	0.0	0.0
State	2,008.1	2,044.0	35.9	1.8
State Police	3,557.0	3,591.0	34.0	1.0
Strategic Fund Agency	0.0	241.0	241.0	0.0
Transportation	3,176.3	3,176.3	0.0	0.0
Treasury (Debt Service)	0.0	0.0	0.0	0.0
Treasury (Operations)	1,909.0	1,933.0	24.0	1.3
Treasury (Revenue Sharing)	0.0	0.0	0.0	0.0
TOTAL POSITIONS	62,019.1	63,362.9	1,343.8	2.2%

* FTE designations were eliminated for the Library of Michigan, consistent with the appropriations for other legislative budgets.

Figure 5

Full-Time Equated Positions FY 1999-2000 Year-To-Date Appropriations

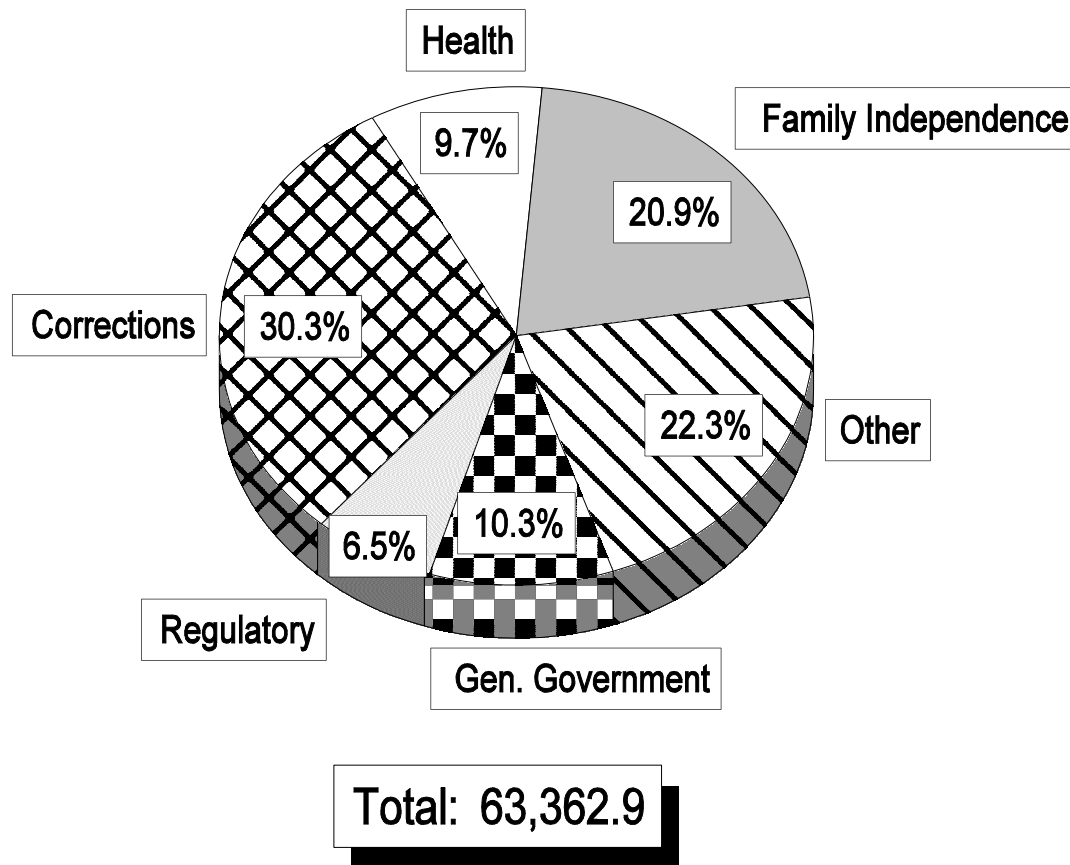


Table K

STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT ARTICLE IX, SECTION 30 REQUIREMENT (Millions of Dollars)		
	1998-99 Estimate	1999-2000 Estimate
State Spending from State Resources	\$23,272.5 ^{a)}	\$24,061.0
Required Payments to Local Units of Government (48.97%)	\$11,396.6	\$11,782.7
Estimated Payments to Local Units of Government	\$14,145.7	\$14,864.6
Estimated Payments as a Percentage of Total State Spending	60.78%	61.78%
Surplus of Section 30 Payments	\$2,749.1	\$3,081.9
^{a)} Excludes \$40.0 million of unrestricted Federal aid.		

Table L

STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT				
FY 1998-99 VERSUS FY 1999-2000				
(Actual Dollars)				
DEPARTMENT	FY 1998-99 Year-To-Date Appropriations	FY 1999-2000 Year-To-Date Appropriations	Dollar Difference	Percent Change
Agriculture	\$1,400,000	\$1,400,000	\$0	0.0%
Attorney General	0	0	\$0	0.0
* Capital Outlay	72,600,000	25,940,100	(46,659,900)	(64.3)
Career Development	0	75,000,000	75,000,000	0.0
Civil Rights	0	0	0	0.0
Civil Service	0	0	0	0.0
Community Colleges	282,000,000	297,228,019	15,228,019	5.4
Community Health	1,086,767,300	1,086,316,500	(450,800)	(0.0)
Consumer and Industry Services	33,773,700	33,773,700	0	0.0
Corrections	75,029,100	78,816,500	3,787,400	5.0
Education	27,622,100	27,622,100	0	0.0
Environmental Quality	8,969,900	6,619,900	(2,350,000)	(26.2)
Executive	0	0	0	0.0
Family Independence Agency	136,418,400	172,154,500	35,736,100	26.2
Higher Education	4,667,700	4,566,584	(101,116)	0.0
Judiciary	113,407,500	112,984,700	(422,800)	(0.4)
Legislative Auditor General	0	0	0	0.0
Legislature	113,407,500	112,984,700	(422,800)	(0.4)
Library of Michigan	21,392,200	21,661,000	268,800	1.3
Management & Budget	0	0	0	0.0
Michigan Jobs Commission	58,645,300	0	(58,645,300)	(100.0)
Military and Veteran Affairs	60,000	111,900	51,900	86.5
Natural Resources (Operations)	24,110,800	21,985,100	(2,125,700)	(8.8)
Natural Resources Trust Fund	15,594,846	0	(15,594,846)	(100.0)
Natural Resources Bond	24,000,000	0	(24,000,000)	(100.0)
School Aid	9,489,325,400	10,004,544,000	515,218,600	5.4
State	69,800	69,800	0	0.0
State Police	18,124,800	19,384,100	1,259,300	6.9
Strategic Fund Agency	0	106,000,000	106,000,000	0.0
Transportation	1,075,448,700	1,105,317,700	29,869,000	2.8
Treasury (Debt Service)	0	0	0	0.0
Treasury (Operations)	76,281,500	81,098,900	4,817,400	6.3
Treasury (Revenue Sharing)	1,386,600,000	1,469,000,000	82,400,000	5.9
TOTAL APPROPRIATIONS	\$14,145,716,546	\$14,864,579,803	\$718,863,257	5.1%

* Assumes passage of entire Capital Outlay appropriation bill of Governor's Revised Recommendation

Table M

FY 1998-99 SUPPLEMENTAL APPROPRIATIONS APPROVED CONCURRENTLY WITH THE FY 1999-2000 APPROPRIATIONS (actual dollars)		
	Gross	GF/GP
Agriculture		
Bovine Tuberculosis	\$9,637,000	\$9,637,000
Migrant Labor Housing	250,000	250,000
Subtotal	9,887,000	9,887,000
Attorney General		
Technology Upgrades	2,300,000	2,300,000
Operations	531,100	132,800
Subtotal	2,831,100	2,432,800
Capital Outlay		
Special Maintenance (State Facilities)	75,000,000	75,000,000
Convention Center Grants	62,000,000	62,000,000
Detroit Institute of Arts	35,000,000	35,000,000
Higher Education-ITEM	28,500,000	28,500,000
Lump Sum Maintenance-State Agencies	19,900,000	19,900,000
Natural Resources Trust Fund	13,836,108	0
House of Representatives Equipment and Furnishings	10,000,000	10,000,000
Community Colleges-ITEM	5,600,000	5,600,000
Farmland and Open Space Development Rights Purchases	5,556,600	0
Airport Improvement Grants	5,000,000	5,000,000
Private Colleges-ITEM	1,400,000	1,400,000
Fresh Water Research - Grand Valley State University	1,000,000	1,000,000
African American Museum (Detroit)	1,000,000	1,000,000
State Capitol Building Special Maintenance	568,000	568,000
Demolition of Roosevelt House Office Building	500,000	500,000
Camp Tuhsmeheeta Infrastructure Repairs	230,000	0
Military Affairs-Land Acquisition	150,000	0
Frankenmuth Military and Space Museum	75,000	75,000
Monroe Community College Planning Authorization	100	100
Island Lake Shooting Range (Funding Shift)	0	1,000,000

FY 1998-99 SUPPLEMENTAL APPROPRIATIONS
APPROVED CONCURRENTLY WITH THE FY 1999-2000 APPROPRIATIONS
(actual dollars)

	Gross	GF/GP
<u>Art, Cultural and Quality of Life Grants:</u>		
Detroit Symphony Orchestra	10,000,000	10,000,000
Detroit Science Center	5,000,000	5,000,000
Henry Ford Museum	5,000,000	5,000,000
Windmill Island (Holland)	4,000,000	4,000,000
Marquette YMCA	500,000	500,000
Art-Train Funding	250,000	250,000
Subtotal	290,065,800	271,293,100
Career Development		
Grant to Focus HOPE	500,000	500,000
Civil Service		
Human Resources Information Technology Project	6,200,000	6,200,000
Information Technology Enhancements	560,000	560,000
Technology Enhancements	114,700	114,700
Subtotal	6,874,700	6,874,700
Community Health		
Medicaid Services	61,336,700	29,000,000
Medicaid Base Funding	44,100,000	20,850,500
Automated Pharmacy Claims System	2,000,000	350,000
Michigan Pharmaceutical Assistance Program	0	6,000,000
Subtotal	107,436,700	56,200,500
Education		
Class Size Reduction Initiative	10,000,000	0
Reading Plan for Michigan	3,500,000	1,750,000
Michigan Geographic Alliance	250,000	250,000
Subtotal	13,750,000	2,000,000
Executive Office		
State Officers Compensation Commission Pay Adjustments	16,900	16,900
Family Independence Agency		
Day Care Caseload Adjustment	120,000,000	29,410,000
Child Support Program Information Technology Projects	75,633,900	25,693,900

FY 1998-99 SUPPLEMENTAL APPROPRIATIONS APPROVED CONCURRENTLY WITH THE FY 1999-2000 APPROPRIATIONS (actual dollars)		
	Gross	GF/GP
Foster Care Base Funding	50,000,000	13,000,000
Community Services Block Grants	500,000	500,000
Food Stamp Program (Funding Shift)	0	4,700,000
Child Support Enforcement System (Federal Sanctions)	0	12,754,000
Subtotal	246,133,900	86,057,900
Higher Education		
Robert C. Byrd Honors Scholarship Program	152,000	0
Judiciary		
State Officers Compensation Commission Pay Adjustments	2,438,100	2,438,100
Judges Retirement Cost Adjustments	2,246,000	2,246,000
Drug Courts	1,000,000	1,000,000
Social Security Payment Adjustments	71,700	71,700
Subtotal	5,755,800	5,755,800
Legislature		
House/Senate Human Resources System	1,000,000	1,000,000
State Officers Compensation Commission Pay Adjustments	166,400	166,400
Subtotal	1,166,400	1,166,400
Management and Budget		
Arts and Cultural Grants	10,000,000	10,000,000
Statewide Information Technology Assessment	3,000,000	3,000,000
Census 2000 Preparation	458,200	458,200
Subtotal	13,458,200	13,458,200
Michigan Jobs Commission		
Technology Training Centers Grants	30,000,000	30,000,000
Food Stamp Recipient Employment and Training Match	250,000	0
Shift Job Training Appropriations to Federal TANF Funds	0	(29,410,000)
Subtotal	30,250,000	590,000

FY 1998-99 SUPPLEMENTAL APPROPRIATIONS APPROVED CONCURRENTLY WITH THE FY 1999-2000 APPROPRIATIONS (actual dollars)		
	Gross	GF/GP
Military and Veterans Affairs		
Enlisted Per Diem Payments	2,807,300	2,807,300
Challenge Program Start-up Costs	470,000	0
National World War II Memorial Costs	250,000	250,000
Grand Rapids Veterans Home	225,000	0
Subtotal	3,752,300	3,057,300
Natural Resources		
Natural Features Inventory Program	350,000	0
Little Manistee River Fish Weir Repair	183,000	0
Urban Tree Planting Grants	140,000	0
Subtotal	673,000	0
School Aid		
Basic Foundation Allowance	52,131,200	0
State		
Repeat Offender Legislation	1,748,600	1,748,600
Qualified Voter File Expansion	3,743,800	3,743,800
Subtotal	5,492,400	5,492,400
State Police		
Emergency Management Local Grants	850,000	850,000
Repeat Offender Study	550,000	550,000
Fire Fighters Training Grants	250,000	250,000
Subtotal	1,650,000	1,650,000
Treasury		
Presidential Primary Costs	6,000,000	6,000,000
Technology Upgrades	5,300,000	2,300,000
Public School Academy Reserve Funding	5,000,000	5,000,000
Tobacco Tax Enforcement	1,400,000	1,400,000
Special Census Revenue Sharing Payments	400,000	400,000
Subtotal	18,100,000	15,100,000
Total FY 1998-99 Supplemental Appropriations	\$810,074,408	\$481,533,000

BUDGET AREA DETAIL

**DEPARTMENT OF AGRICULTURE
P.A. 112 of 1999**

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	598.5	598.5	599.5	1.0	0.2
GROSS.....	89,529,200	86,327,100	91,750,000	2,220,800	2.5
Less:					
Interdepartmental					
Grants Received.....	844,300	8,571,900	8,571,900	7,727,600	915.3
ADJUSTED GROSS.....	88,684,900	77,755,200	83,178,100	(5,506,800)	(6.2)
Less:					
Federal Funds.....	5,435,100	5,379,900	5,249,900	(185,200)	(3.4)
Local and Private	711,000	741,900	871,900	160,900	22.6
TOTAL STATE SPENDING.....	82,538,800	71,633,400	77,056,300	(5,482,500)	(6.6)
Less:					
Other State					
Restricted Funds.....	33,651,800	30,749,500	31,172,400	(2,479,400)	(7.4)
GENERAL FUND/GENERAL PURPOSE.....	48,887,000	40,883,900	45,883,900	(3,003,100)	(6.1)
PAYMENTS TO LOCALS.....	1,400,000	1,400,000	1,400,000	0	0.0

ISSUES

A. FY 1998-99 SUPPLEMENTAL APPROPRIATIONS

1. Public Act 69 of 1999

The supplemental includes \$9,637,000 GF/GP for bovine tuberculosis indemnification and surveillance efforts. Funds are to be used over a two-year period to conduct a bovine tuberculosis surveillance program, to test for the disease outside the currently quarantined area, to provide indemnification for livestock destroyed as a result of the disease, and to provide on-farm assistance to producers who have depopulated their herds. It was anticipated that nearly \$5.2 million would be used in FY 1998-99, with the remainder available for expenditure in FY 1999-2000. Language was included to limit indemnification payments for white tail deer ordered destroyed to \$250 per deer.

2. Public Act 137 of 1999

This FY 1998-99 supplemental includes \$250,000 GF/GP to expand funding for the Migrant Labor Housing Grant Program. The Program provides matching grants for the renovation and new construction of migrant labor housing. The supplemental funding represents an 83.3% increase over the previous funding level of \$300,000.

B. PROJECT GREEN

A \$2,100,000 GF/GP, or 52.5%, increase for Project GREEN (Generating Research and Extension to meet Environmental and Economic Needs) is provided in the budget, bringing total funding to \$6,100,000 GF/GP. Project GREEN is a partnership between the State of Michigan, Michigan State University, and the State's commodity groups, food processors and consumers that is tasked with meeting the economic and environmental needs identified by the growers and processors in the plant-based agriculture industry. The enacted level of funding is \$100,000 greater than the amount proposed by both the Governor and the Senate, and \$100,000 less than that recommended by the House.

C. ENVIRONMENTAL TECHNOLOGY RESEARCH GRANT

The Governor's budget eliminated a \$1,400,000 grant that was awarded to the Michigan Biotechnology Institute (MBI) in FY 1998-99, contingent on the receipt of Federal matching funds, for the development and implementation of innovative technologies for producing environmentally safe products and biodegradable chemicals, for use in environmental cleanup, and for waste stream minimization in Michigan. The Senate increased the level of the grant to the MBI to \$2,000,000 GF/GP, the House maintained the grant at the FY 1998-99 level, and the enacted budget increased the funding level 7.1% to \$1,500,000 GF/GP.

D. AGRICULTURE EQUINE INDUSTRY DEVELOPMENT FUND

The Agriculture Equine Industry Development Fund (AEIDF) is supported with revenue from a 3.5% tax on interstate and inter-track simulcast wagering at licensed horse racing tracks in the State, and from 50% of the unclaimed wagers at those tracks. Money from the AEIDF is used to promote and regulate the State's horse racing industry. Revenue to the AEIDF is projected to fall in FY 1999-2000 below the level available and appropriated in FY 1998-99. The Governor's budget assumed a reduction to \$10,484,000 from the FY 1998-99 appropriation of \$14,303,900. The Senate, House, and enacted budgets assume available FY 1999-2000 revenue to be \$11,500,000. The following table compares FY 1998-99 appropriations from the AEIDF with FY 1999-2000 proposed Governor, Senate, and House, and enacted appropriations. Please note when reviewing the table that the Senate replaced \$834,800 in AEIDF support for the Office of Racing Commissioner (ORC) and all AEIDF support for State and county fair premiums with State General Fund dollars. The House and enacted budgets replaced AEIDF support for fair premiums, draft horse shows, and building and track improvement at fairs with General Fund support. In the House and enacted budgets, all remaining AEIDF appropriations, except those for the ORC and laboratory, were reduced 0.7%.

Table 1

THE AGRICULTURE EQUINE INDUSTRY DEVELOPMENT FUND							
Line Items	FY 1998-99	FY 1999-2000			\$ Change to FY 1998-99		
	Appropriations	Governor	Senate	House/Enacted	Governor	Senate	House/Enacted
Laboratory analysis	\$572,800	\$500,000	\$500,000	\$500,000	\$(72,800)	\$(72,800)	\$(72,800)
Building and track improvements	753,100	416,400	753,100	0	(336,700)	0	(753,100)
Purses & supplements - fairs/licensed tracks	2,351,200	1,536,900	2,351,200	2,333,600	(814,300)	0	(17,600)
Standardbred Fedeles Furi futurity	78,000	51,000	78,000	77,400	(27,000)	0	(600)
Standardbred Michigan futurity	78,000	51,000	78,000	77,400	(27,000)	0	(600)
Premiums - county and state fairs	1,611,200	1,611,200	0	0	0	(1,611,200)	(1,611,200)
Standardbred purses and supplements	258,800	169,200	258,800	256,900	(89,600)	0	(1,900)
Standardbred breeders awards	1,201,300	785,300	1,201,300	1,192,300	(416,000)	0	(9,000)
Standardbred training and stabling	42,400	23,400	42,400	42,100	(19,000)	0	(300)
Thoroughbred program	1,753,600	1,019,500	1,753,600	1,740,400	(734,100)	0	(13,200)
Sire stakes programs	1,954,500	1,130,700	1,954,500	1,939,800	(823,800)	0	(14,700)
Quarterhorse programs	38,400	21,200	38,400	38,100	(17,200)	0	(300)
Can Am draft horse show/Draft horse show	78,800	43,600	100,000	0	(35,200)	21,200	(78,800)
Licensed tracks - light horse racing	74,400	41,100	74,400	73,800	(33,300)	0	(600)
Thoroughbred owners awards	151,100	83,500	151,100	150,000	(67,600)	0	(1,100)
Total:	\$14,303,900	\$10,484,000	\$11,500,000	\$11,500,000	\$(3,819,900)	\$(2,803,900)	\$(2,803,900)

E. FOOD SAFETY

1. Local Public Health Operations

An interdepartmental grant from the Department of Community Health (DCH) totaling \$7,888,300 was included in the Governor, Senate, House and enacted budgets. This represents the amount estimated to have been allocated by the DCH in FY 1998-99 to local health departments (LHDs) for local food service sanitation efforts, increased by 3%. With the new funding, the Department of Agriculture is to assume full responsibility for administration and oversight of LHD food safety activities. Local health departments are responsible for the inspection of food service establishments such as restaurants, food vendors, cafeterias, or anywhere that prepared foods are provided for immediate consumption, as well as for the investigation of food-borne illness outbreaks. Language is included to require the Department to ensure uniform application and enforcement of restaurant licensing standards, and to report on these efforts.

2. State Food Safety Program

In addition to its responsibility for the administration and oversight of LHD food service sanitation efforts, the Department of Agriculture is responsible for the direct regulation of all licensed food establishments including supermarkets, convenience stores, and major food processing operations. Department staff conduct inspections of these establishments to assess sanitary conditions, safety of the infrastructure, freshness and wholesomeness of foods, and truth in labeling. A \$303,100 GF/GP, or 3.6% increase was provided for food safety training and to initiate the automation of inspections.

F. MIGRANT LABOR HOUSING

The \$250,000 GF/GP increase provided in the FY 1998-99 supplemental, P.A. 137 of 1999, as described above, was continued in the FY 1999-2000 budget. Total FY 1999-2000 funding for this program, while provides matching grants for the renovation and new construction of migrant labor housing, is \$550,000 GF/GP.

G. MICHIGAN STATE FAIR AND UPPER PENINSULA STATE FAIR

A net increase of \$125,900 in Fair revenue, or a 2% increase over FY 1998-99, was provided for the Michigan State Fair. The total Michigan State Fair appropriation of \$6,324,000 is supported entirely with revenue from the Fair. The Governor's proposed budget included language that would have appropriated up to \$1,000,000 GF/GP for the Michigan State Fair to cover any difference between actual State Fair revenue and appropriations from that source of financing. The Senate, House, and enacted budgets did not include this provision. The Governor's budget also recognized \$59,000 in additional available revenue from the Upper Peninsula (U.P.) State Fair, and used the additional funds to offset an equal amount of State General Fund support for the U.P. Fair. The Senate, House, and enacted budgets used the additional funds to increase appropriations for the U.P. State Fair by 5.4% to \$1,161,900 Gross, \$175,700 GF/GP.

H. AGRICULTURE EXPORTS

The Department's International Marketing Program, in conjunction with the former Michigan Jobs Commission, promotes the export of Michigan agricultural products by coordinating export education programs, trade missions and shows, and Federal grants. The House and enacted budgets provide \$100,000 GF/GP to enhance the State's involvement in the Federal Market Access Program (MAP). Specifically, according to language in the bill, the new funding is to be used for leveraging Federal funds for the development of new and enhancement of existing export markets for State agricultural products.

I. NEW PROGRAMS

1. On-Farm Fuel Storage Liaison

The Governor's budget included \$40,000 in industry support funds for the establishment of an on-farm fuel storage liaison position in the Department to provide assistance to farmers with addressing compliance and remediation issues concerning on-farm underground fuel storage tanks. The Senate did not fund this program, as the \$40,000 GF/GP match necessary to leverage the recommended industry support funds had not been included in the Governor's budget proposal. The House and enacted budgets included both the \$40,000 in industry support funds and the \$40,000 GF/GP matching funds, as well as authorization for 1.0 additional FTE position.

2. USApple Antidumping Effort

The Senate, House, and enacted budgets include \$20,000 GF/GP for a State donation to a national effort to file an antidumping petition with the United States Department of Commerce against suppliers of below cost apple juice concentrate.

3. The 4H Foundation of Michigan

The Senate, House and enacted budgets include \$285,000 GF/GP for expanded educational programming at the Kettunen Center. The Kettunen Center is owned and operated by the Michigan 4H Foundation, and serves as the State's 4H volunteer leadership and youth programs training center. The extensive renovation and expansion undergone by the Center in the past year have resulted in increased demand for use of the facilities and facility programming. The new funding was provided to help to address some of this demand.

J. ECONOMIC ADJUSTMENTS

Standard economic adjustments were applied for salaries and wages, retirement, insurance, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries and Wages	\$767,500	\$620,100
Insurance	519,500	415,900
Retirement	210,800	169,500
Rent	4,000	4,000
Motor Transport	27,900	20,900
Building Occupancy	445,000	445,000
Other	(285,100)	(210,100)
Total	\$1,689,600	\$1,465,300

The House and enacted budgets included corrections to the initially proposed levels of funding and fund sources for the economic adjustments. These corrections are reflected above, and resulted in a \$358,800 reduction in the gross appropriations, and a \$234,300 increase in General Fund appropriations for economics as recommended by the Governor and the Senate.

K. OTHER CHANGES

Other budget adjustments included the elimination of \$303,100 in State General Fund support for the Office of Racing Commissioner; a 50% or \$20,000 GF/GP increase for Future Farmers of America; a 6.8 % or \$49,200 GF/GP increase for the Food Bank Program; and various adjustments in Federal and other restricted funding to reflect availability of those funds.

DEPARTMENT OF ATTORNEY GENERAL
P.A. 124 of 1999

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	568.0	569.0	569.0	1.0	0.2
GROSS.....	56,264,600	55,132,300	55,132,300	(1,132,300)	(2.0)
Less:					
Interdepartmental					
Grants Received.....	8,177,800	8,686,800	8,686,800	509,000	6.2
ADJUSTED GROSS.....	48,086,800	46,445,500	46,445,500	(1,641,300)	(3.4)
Less:					
Federal Funds.....	7,390,400	6,401,700	6,401,700	(988,700)	(13.4)
Local and Private.....	1,068,900	1,106,800	1,106,800	37,900	0.0
TOTAL STATE SPENDING.....	39,627,500	38,937,000	38,937,000	(690,500)	(1.7)
Less:					
Other State					
Restricted Funds.....	6,440,300	6,858,200	6,858,200	417,900	6.5
GENERAL FUND/GENERAL PURPOSE.....	33,187,200	32,078,800	32,078,800	(1,108,400)	(3.3)
PAYMENTS TO LOCALS.....	0	0	0	0	0.0

ISSUES

A. FY 1998-99 SUPPLEMENTAL APPROPRIATIONS

1. Public Act 69 of 1999

This supplemental includes \$2,300,000 GF/GP for technological enhancements for the Department of Attorney General. Funding will provide for network software, increased computer speed, workstation upgrades, network fax capabilities, desktop scanners, printers, and other improvements.

2. Public Act 137 of 1999

This supplemental includes 3.0 FTEs and \$531,100 (75/25 Federal/State match) to establish a Southeastern Division for the Money Laundering Task Force. The FY 1998-99 original appropriation for the Money Laundering Task Force, within the Department of Attorney General's Criminal Division, included 10.0 FTEs and \$762,100. A Federal contingency fund transfer provided an additional \$550,000 in Federal funds.

B. CASINO GAMING

The budget for the Casino Control Division includes an interdepartmental grant (IDG) of \$163,900 for an additional attorney and a clerical position. The FY 1998-99 budget included 6.0 FTEs and a \$579,500 IDG (4.0 attorneys and 2.0 clerical) for the Casino Control Division. This division is legal counsel to the Michigan Gaming Control Board. The workload of the Casino Control Division has increased due to the authorization of interim casino facilities during the construction of permanent casinos.

C. RETIREMENT DIVISION

The budget includes \$163,900 Restricted for an additional attorney position and a secretary for the Retirement Division. The current staff includes 4.0 FTEs and \$392,400 Restricted. The Retirement Division provides legal services regarding defined benefit retirement, defined contribution retirement, early retirement, and other retirement issues.

D. FUNDING SHIFT

The budget shifts \$2,475,200 in support from the State Trunkline Fund and Comprehensive Transportation Fund to the Michigan Transportation Fund. The effect of this funding shift is that local units of government (counties, cities, and villages) will receive a reduced share of the net Michigan Transportation Fund distribution. If the charges for legal services were apportioned as in the past, the FY 1999-2000 budget would include \$2,353,600 charged to the State Trunkline Fund and \$121,600 charged to the Comprehensive Transportation Fund instead of the \$2,475,200 Michigan Transportation Fund appropriation. The funding supports two legal divisions within the Department of Attorney General. The FY 1999-2000 allocation of the Michigan Transportation Fund to the Department of Attorney General under the FY 1999-2000 budget is as follows:

	<u>FTE</u>	<u>Amount</u>
Highway Negligence Division	11.0	\$1,235,400
Transportation Division	10.8	1,239,800
Total:	21.8	\$2,475,200

The Highway Negligence Division of the Department of Attorney General provides defense of highway negligence suits against the State of Michigan and collection of claims involving damage to State Trunkline highways. The Transportation Division of the Department of Attorney General provides legal services to the Department of Transportation, State Transportation Commission, State Aeronautics Commission, International Bridge Authority, Mackinac Bridge Authority, and Michigan Truck Safety Commission, and is also the Attorney General's designee on the Transportation and Natural Resources Committee of the State Administrative Board. The division serves as general counsel for the Michigan Department of Transportation, with the exception of highway negligence litigation. Some of the work done by this division involves contract review for local road projects.

E. UNCLASSIFIED SALARIES

The budget for the line item that funds 5.0 FTEs unclassified positions provides an increase of \$12,900 (3.0%), from \$431,600 to \$444,500.

F. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, retirement, insurance, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries	\$1,052,100	\$594,800
Insurance	590,200	293,900
Retirement	298,300	170,000
Motor Transport	43,600	34,100
Building Occupancy Charge	40,700	40,700
Postage	2,500	2,100
Workers' Compensation	2,000	2,000
Total	\$2,029,400	\$1,137,600

G. OTHER ISSUES

The budget includes a funding shift of \$73,400 from Federal funds to GF/GP for the Prosecuting Attorney's Brief Bank project to reflect Federal/State match requirements. There is also a shift of \$39,400 to GF/GP for the Prosecutor's Information Exchange Project to reflect Federal/State match requirements. An increase of \$61,100 GF/GP is included to reflect current baseline costs, and the Prosecuting Attorneys Coordinating Council has an adjustment of \$17,600 to reflect actual costs. The budget also reflects the elimination of one-time FY 1998-99 supplementals (\$2,300,000 for computer improvements and \$531,100 for the Money Laundering Task Force) and FY 1998-99 contingency fund transfers (\$750,000).

**CAPITAL OUTLAY
P.A. 137 of 1999**

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED*	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	N/A	N/A	N/A	N/A	N/A
GROSS.....	669,608,300	416,022,381	416,022,381	(253,585,919)	(37.9)
Less:					
Interdepartmental					
Grants Received.....	4,500,000	5,500,000	5,500,000	1,000,000	22.2
ADJUSTED GROSS.....	665,108,300	410,522,381	410,522,381	(254,585,919)	(38.3)
Less:					
Federal Funds.....	73,840,600	78,599,550	78,599,550	4,758,950	6.4
Local and Private.....	23,809,000	10,011,600	10,011,600	(13,797,400)	(58.0)
TOTAL STATE SPENDING.....	567,458,700	321,911,231	321,911,231	(245,547,469)	(43.3)
Less:					
Other State					
Restricted Funds.....	48,203,700	44,600,100	44,600,100	(3,603,600)	(7.5)
GENERAL FUND/GENERAL PURPOSE.....	519,255,000	277,311,131	277,311,131	(241,943,869)	(46.6)
PAYMENTS TO LOCALS.....	72,600,000	25,940,100	25,940,100	(46,659,900)	(64.3)

* Assumes passage of entire Capital Outlay appropriation bill at Leadership Target Agreement

CAPITAL OUTLAY
FY 1999-2000 Budget

ISSUES

A. FY 1998-99 SUPPLEMENTAL APPROPRIATIONS

The Legislature provided \$290,065,808 Gross, \$271,293,100 GF/GP in two different supplemental appropriation bills for a number of one-time grants, special maintenance projects, farmland and open space development acquisition purchases, and Natural Resources Trust Fund appropriations. These appropriations are contained in P.A. 69 of 1999 and P.A. 137 of 1999 and are summarized in Table 1.

Table 1

Program/Line Item	Public Act 69	Public Act 137
Universities - infrastructure, technology, equipment and maintenance	\$29,900,000	
Community Colleges - infrastructure, technology, equipment and maintenance	5,600,000	
State Agencies - Special Maintenance	17,400,000	\$75,230,000
Legislature - Special Maintenance	1,000,000	568,000
Monroe Community College - Business and Technical Center, State Building Authority project - Total cost \$2,500,000, State share \$1,250,000, college share \$1,250,000	100	
Department of Military Affairs - Land acquisitions, and appraisals	150,000	
Farmland and Open Space Development Acquisition	5,556,600	
Natural Resources Trust Fund - FY 1998-99 Round II	13,836,108	
Fort Mackinac Wall Restoration	2,000,000	
Convention Center grants		
Airport Improvement projects		5,000,000
Detroit Institute of Arts		35,000,000
Arts, Cultural Development, Quality of Life Grants		62,000,000
Frankenmuth Military Space Museum		75,000
Grand Valley State University - Fresh Water Research Center		1,000,000
Museum of African-American History		1,000,000
House of Representatives Equipment and Furnishings		10,000,000
Total	\$75,442,808	\$214,623,000

B. OVERVIEW

The Legislature delayed action on FY 1999-2000 appropriations for State agency special maintenance projects and any new building projects for colleges, universities, and State agencies until the fall of 1999. The only capital outlay item approved by the Legislature for FY 1999-2000 was the appropriation for State Building Authority Rent (Debt Service).

C. STATE BUILDING AUTHORITY RENT (DEBT SERVICE)

The Legislature provided \$252,636,900 Gross, \$246,116,900 GF/GP for State Building Authority (SBA) rent payments in P.A. 137 of 1999. These funds go to pay debt service on past bonds issued by the SBA for State-financed construction projects. The enacted appropriations for SBA rent represent an increase of \$20,482,700 Gross and GF/GP from FY 1998-99 levels.

**DEPARTMENT OF CAREER DEVELOPMENT
P.A. 120 of 1999**

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	N/A	1,066.0	1,066.0	1,066	N/A
GROSS.....	N/A	434,910,400	515,904,700	515,904,700	N/A
Less:					
Interdepartmental					
Grants Received.....	N/A	1,047,000	1,047,000	1,047,000	N/A
ADJUSTED GROSS.....	N/A	433,863,400	514,857,700	514,857,700	N/A
Less:					
Federal Funds.....	N/A	400,323,300	400,323,300	400,323,300	N/A
Local and Private.....	N/A	13,474,900	13,474,900	13,474,900	N/A
TOTAL STATE SPENDING.....	N/A	20,065,200	101,059,500	101,059,500	N/A
Less:					
Other State					
Restricted Funds.....	N/A	4,920,300	79,920,300	79,920,300	N/A
GENERAL FUND/GENERAL PURPOSE.....	N/A	15,144,900	21,139,200	21,139,200	N/A
PAYMENTS TO LOCALS.....	N/A	0	75,000,000	75,000,000	N/A

ISSUES

A. FY 1998-99 SUPPLEMENTAL APPROPRIATIONS

1. Public Act 69 of 1999

a. Welfare-to-Work Fund Shift

This supplemental includes a fund shift from GF/GP to Federal Temporary Assistance to Needy Families (TANF) funding for the Welfare-to-Work initiative and the Work First Program. The State has decided not to participate in the U.S. Department of Labor Welfare-to-Work program; therefore, those Federal funds will be turned back and a similar program will be administered by the State and funded with TANF dollars. All of the Work First and Welfare-to-Work matching GF/GP funds will be transferred to the Family Independence Agency to be used to increase funding for child care services.

b. Employment & Training for Food Stamp Recipients

This supplemental provides \$250,000 in restricted revenue for support services for food stamp recipients. Under this U.S. Department of Agriculture Program, the State is required to provide funding for these services, such as transportation or day care. The appropriation includes additional private oil overcharge settlement revenue be used as the State portion to fund these services.

2. Public Act 137 of 1999

Focus Hope

The supplemental includes a \$500,000 GF/GP appropriation for this organization, which offers education and training programs for machinists, engineers, and manufacturing trades. The organization is located in Detroit.

B. EXECUTIVE ORDER REORGANIZATION

Executive Order 1999-1 transferred all of the economic development programs from the Michigan Jobs Commission to the Strategic Fund Agency and transferred \$452,554,300 and all of the workforce development programs to the new Department of Career Development. The Department of Michigan Jobs Commission was subsequently abolished by the order.

C. WELFARE-TO-WORK FUNDING SHIFT

Consistent with the FY 1998-99 supplemental, the budget includes a fund shift of \$29,410,000 from GF/GP to Federal for the funding used to support the Welfare-to-Work initiative and the Work First Program.

D. EMPLOYMENT & TRAINING FOR FOOD STAMP RECIPIENTS

Also consistent with the FY 1998-99 supplemental, the budget includes \$250,000 in private oil overcharge settlement revenue to be used to fund the State's portion for support services to allow these recipients to participate in employment and training activities.

E. SCHOOL-TO-WORK

As FY 1998-99 was the last year of this five-year Federal grant, the budget includes an \$8,083,300 reduction in the Federal spending authority for this program to begin the phase out, and the elimination of the GF/GP funding that was provided for the Saginaw School District School-to-Work program.

F. GRANT INCREASES

The budget includes increases for the following grant programs:

Michigan Technical Education Centers	\$75,000,000	Restricted
Vocational Rehabilitation Independent Living Centers	\$288,000	GF/GP
Precollege Programs in the Engineering and Sciences	\$200,000	GF/GP
Focus Hope	\$4,994,300	GF/GP

G. UNCLASSIFIED SALARIES

The budget includes a 3%/\$15,600 increase for the unclassified salary line item.

H. ECONOMIC ADJUSTMENTS

The budget includes \$1,894,600 in standard economic adjustments for salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

I. OTHER CHANGES

The bill includes a \$10,970,800 reduction due to various Federal and restricted spending authority adjustments, and a small GF/GP increase for administrative costs for the Michigan Community Service Commission.

**DEPARTMENT OF CIVIL RIGHTS
P.A. 124 of 1999**

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	166.5	166.5	166.5	0.0	0.0
GROSS.....	14,104,800	14,623,300	14,623,300	518,500	3.7
Less:					
Interdepartmental					
Grants Received.....	0	0	0	0	0.0
ADJUSTED GROSS.....	14,104,800	14,623,300	14,623,300	518,500	3.7
Less:					
Federal Funds.....	1,600,000	1,634,000	1,634,000	34,000	2.1
Local and Private.....	0	0	0	0	0.0
TOTAL STATE SPENDING.....	12,504,800	12,989,300	12,989,300	484,500	3.9
Less:					
Other State					
Restricted Funds.....	0	0	0	0	0.0
GENERAL FUND/GENERAL PURPOSE.....	12,504,800	12,989,300	12,989,300	484,500	3.9
PAYMENTS TO LOCALS.....	0	0	0	0	0.0

ISSUES

A. HOUSING AND URBAN DEVELOPMENT (HUD) GRANTS

The budget reflects a \$34,000 increase in the Federal HUD grant that the Department will receive. These funds are used to investigate housing discrimination cases.

B. UNCLASSIFIED SALARIES

The budget includes a \$9,700 increase for the unclassified salaries line item. This reflects a 3% increase over the current fiscal year appropriation.

C. ECONOMIC ADJUSTMENTS

Standard economic adjustments of \$474,800 are applied for salaries and wages, retirement, insurance, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries	\$238,100	\$238,100
Insurance	163,300	163,300
Building Occupancy	22,300	22,300
Workers' Compensation	(19,300)	(19,300)
Retirement	70,400	70,400
Total	\$474,800	\$474,800

DEPARTMENT OF CIVIL SERVICE
P.A. 124 of 1999

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	230.5	230.5	230.5	0.0	0.0
GROSS.....	34,290,300	28,585,500	28,585,500	(5,704,800)	(16.6)
Less:					
Interdepartmental					
Grants Received.....	2,133,700	2,300,000	2,300,000	166,300	7.8
ADJUSTED GROSS.....	32,156,600	26,285,500	26,285,500	(5,871,100)	(18.3)
Less:					
Federal Funds.....	1,279,100	4,779,100	4,779,100	3,500,000	273.6
Local and Private.....	549,100	1,850,000	1,850,000	1,300,900	236.9
TOTAL STATE SPENDING.....	30,328,400	19,656,400	19,656,400	(10,672,000)	(35.2)
Less:					
Other State					
Restricted Funds.....	10,669,000	8,859,200	8,859,200	(1,809,800)	(17.0)
GENERAL FUND/GENERAL PURPOSE.....	19,659,400	10,797,200	10,797,200	(8,862,200)	(45.1)
PAYMENTS TO LOCALS.....	0	0	0	0	0.0

ISSUES

A. FY 1998-99 SUPPLEMENTAL APPROPRIATIONS

1. Public Act 69 of 1999

- a. Human Resource Management Network.** The supplemental includes a \$6,200,000 appropriation for Phase II of the new Human Resource Management Network implementation. The new Year 2000 compliant database will provide an integrated system for delivering payroll, personnel, and employee benefits, and data exchange with the retirement system.
- b. Civil Service Operations.** The supplemental includes a \$560,000 appropriation for Civil Service Operations. These funds will be used to change internal operating systems, implement an electronic workflow and document management system, replace a mainframe-based Affirmative Action system (UAR), and purchase competency-based electronic exams and assessment software.

2. Public Act 137 of 1999

Technology Enhancements. The supplemental includes a \$114,700 appropriation to improve computer network systems. These funds will be used to improve network software.

B. TRAINING REVENUE

The budget increases the anticipated revenues to be received from training State employees by \$425,000.

C. ONE PERCENT FUNDING ADJUSTMENTS

The budget shifts financing from the General Fund to the 1% assessment funds in the Department. This funding adjustment is made in anticipation of new charges that will be placed on the Family Independence Agency (FIA) for the functions that the Department of Civil Service performs for the FIA. These financing shifts result in a gross change of \$0. However, these shifts save \$2,336,500 in General Fund appropriations.

D. ECONOMIC ADJUSTMENTS

Standard economic adjustments of \$744,900 are applied for salaries and wages, retirement, insurance, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

Item	Gross	GF/GP
Salaries	\$332,500	\$155,300
Insurance	265,400	123,900
Workers' Compensation	3,100	1,400
Building Occupancy	4,000	4,000
Retirement	139,900	64,400
Total	\$744,900	\$349,000

**COMMUNITY COLLEGES
P.A. 109 of 1999**

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	N/A	N/A	N/A	N/A	N/A
GROSS.....	282,000,000	292,962,019	297,228,019	15,228,019	5.4
Less:					
Interdepartmental					
Grants Received.....	0	0	0	0	0.0
ADJUSTED GROSS.....	282,000,000	292,962,019	297,228,019	15,228,019	5.4
Less:					
Federal Funds.....	0	0	0	0	0.0
Local and Private.....	0	0	0	0	0.0
TOTAL STATE SPENDING.....	282,000,000	292,962,019	297,228,019	15,228,019	5.4
Less:					
Other State					
Restricted Funds.....	0	0	0	0	0.0
GENERAL FUND/GENERAL PURPOSE.....	282,000,000	292,962,019	297,228,019	15,228,019	5.4
PAYMENTS TO LOCALS.....	282,000,000	292,962,019	297,228,019	15,228,019	5.4

COMMUNITY COLLEGES
FY 1999-2000 Budget

ISSUES

A. FY 1998-99 SUPPLEMENTAL APPROPRIATIONS

The Legislature approved FY 1998-99 supplemental appropriations for community colleges totaling \$5,600,000 for infrastructure, technology, equipment, and maintenance. These funds are appropriated in P.A. 69 of 1999, and their distribution is outlined in Table 1.

Table 1 FY 1998-99 Supplemental Infrastructure, Technology, Equipment, and Maintenance			
Alpena	\$153,993	Mid Michigan	\$119,951
Bay de Noc	130,344	Monroe	148,848
Delta	257,552	Montcalm	104,366
Glen Oaks	107,554	Mott	252,757
Gogebic	121,918	Muskegon	145,730
Grand Rapids	290,329	North Central	116,558
Henry Ford	264,314	Northwestern	243,475
Jackson	190,635	Oakland	447,028
Kalamazoo Valley	191,412	St. Clair	167,402
Kellogg	189,105	Schoolcraft	198,862
Kirtland	114,465	Southwestern	145,245
Lake Michigan	173,512	Washtenaw	227,968
Lansing	273,495	Wayne County	307,349
Macomb	395,449	West Shore	120,388
Total			\$5,600,000

B. FY 1999-2000 APPROPRIATIONS

1. Operations

The Governor recommended a \$6,946,561 or 2.5% base funding increase for community college operations. This was distributed as 1.25% across-the-board and 1.25% according to the Gast-Mathieu fairness-in-funding formula. The House accepted the Governor's recommendation for operations funding. The Senate moved the \$4,200,000 (1.5%) increase that had been provided by the Governor and the House for the Tuition Restraint Incentive Grant program (see item 2 below) into base operations. In addition, the Senate provided an extra \$2,746,560 (1.0%) for a total increase for college operations of \$13,893,121, or 5.0% over FY 1998-99 levels. The Senate allocated

the 5.0% increase as 2.0% across-the-board, and 3.0% by the Gast-Mathieuf formula. The Conference Committee decided to distribute the legislative leadership target agreement increase for community college operations of 5.55% as 2.55% across-the-board and 3.0% by the Gast-Mathieuf formula. The distribution of FY 1999-2000 operating funds for each college is detailed in Table 2.

Table 2

FY 1999-2000 COMMUNITY COLLEGE FUNDING RECOMMENDATIONS								
College	FY 1998-99 Appropriations	House Passed 4% Increase			Senate Passed 5% Increase		Conference 5.55% Increase	
		2.5% Base Increase (a)	Tuition Rest. Grant 1.5% (b)	Percent Change (c)	Dollar (d)	Percent Change	Dollar (e)	Percent Change
Alpena	\$4,557,252	\$4,703,822	68,885	4.73%	\$4,863,446	6.72%	\$4,888,284	7.26%
Bay de Noc	4,220,690	4,400,382	63,797	5.77%	4,609,742	9.22%	4,632,634	9.76%
Delta	13,199,307	13,488,263	199,513	3.70%	13,760,809	4.25%	13,833,091	4.80%
Glen Oaks	2,010,948	2,094,660	30,396	5.67%	2,191,747	8.99%	2,202,658	9.53%
Gogebic	3,991,939	4,058,522	60,340	3.18%	4,111,818	3.00%	4,133,732	3.55%
Grand Rapids	17,381,780	17,599,052	262,732	2.76%	17,729,416	2.00%	17,825,016	2.55%
Henry Ford	19,643,681	20,179,633	296,922	4.24%	20,733,528	5.55%	20,840,833	6.09%
Jackson	11,563,803	11,757,600	174,791	3.19%	11,913,277	3.02%	11,976,753	3.57%
Kalamazoo Valley	10,108,380	10,657,264	152,792	6.94%	11,324,618	12.03%	11,379,143	12.57%
Kellogg	8,387,943	8,703,670	126,787	5.28%	9,061,808	8.03%	9,107,407	8.58%
Kirtland	2,848,415	2,884,288	43,055	2.77%	2,906,026	2.02%	2,921,692	2.57%
Lake Michigan	4,589,230	4,723,700	69,368	4.44%	4,866,066	6.03%	4,891,111	6.58%
Lansing	28,517,734	29,118,581	431,057	3.62%	29,674,588	4.06%	29,830,816	4.60%
Macomb	31,109,093	31,757,754	470,226	3.60%	32,354,786	4.00%	32,525,228	4.55%
Mid Michigan	3,735,994	3,903,591	56,471	6.00%	4,100,866	9.77%	4,121,108	10.31%
Monroe	3,664,952	3,815,181	55,397	5.61%	3,988,851	8.84%	4,008,744	9.38%
Montcalm	2,955,481	2,994,552	44,673	2.83%	3,019,695	2.17%	3,035,945	2.72%
Mott	14,602,384	14,895,270	220,721	3.52%	15,159,288	3.81%	15,239,321	4.36%
Muskegon	8,211,204	8,418,804	124,116	4.04%	8,627,332	5.07%	8,672,227	5.61%
North Central	2,738,746	2,821,657	41,397	4.54%	2,910,346	6.27%	2,925,285	6.81%
Northwestern	8,050,662	8,312,104	121,689	4.76%	8,597,618	6.79%	8,641,489	7.34%
Oakland	20,231,211	20,484,101	305,803	2.76%	20,635,835	2.00%	20,747,107	2.55%
St. Clair	6,465,131	6,618,796	97,723	3.89%	6,769,277	4.70%	6,804,650	5.25%
Schoolcraft	10,982,897	11,338,529	166,011	4.75%	11,726,586	6.77%	11,786,439	7.32%
Southwestern	5,355,807	5,646,284	80,955	6.94%	5,999,393	12.02%	6,028,283	12.56%
Washtenaw	10,554,270	10,994,726	159,532	5.68%	11,505,823	9.02%	11,563,090	9.56%
Wayne County	16,066,808	16,267,640	242,856	2.76%	16,388,144	2.00%	16,476,511	2.55%
West Shore	2,116,690	2,170,569	31,995	4.06%	2,224,826	5.11%	2,236,399	5.66%
Total	\$277,862,434	\$284,808,995	\$4,200,000	4.01%	\$291,755,555	5.00%	\$293,274,995	5.55%

- (a) Allocation as 1.25% across-the-board and 1.25% allocated by Gast/Mathieu Formula.
- (b) Allocation conditioned on tuition increases of 3% or less.
- (c) Assumes all colleges receive tuition restraint grant.
- (d) Allocated as 2.0% across-the-board and 3.0% by Gast/Mathieu formula.
- (e) Allocated as 2.55% across-the-board and 3.0% by Gast/Mathieu formula.

2. Tuition Restraint Incentive Grant Program

The Governor proposed a new categorical grant program of \$4,200,000 (1.5% of FY 1998-99 operations) contingent upon the repeal of the College Tuition Tax Credit, and community colleges' keeping their tuition increases to 3.0% or less. The House accepted the proposal, yet removed the Tuition Tax Credit repeal contingency. In addition, the House exempted tuition for the distance learning project from the tuition restraint calculations. The Senate rejected the program and opted instead to move the funding for the program into college operations. The Conference Committee accepted the Senate's plan yet included language to remove 1.5% from FY 2000-2001 base operations for each college that raises tuition above 3.0% in FY 1999-2000. Public Act 109 also includes language stating legislative intent to study the effect on funding in the formula for colleges that have lower-than-average tuition.

3. Tax Revenue Loss Grant

The House included \$100 as a new categorical grant intended to reimburse colleges for property tax revenue lost as a result of tax increment finance authorities and tax abatements. The Senate did not include this program. The Conference Committee also voted not to include this program.

4. At Risk Student Success Program

This program is designed to address the needs of students who test at a level that indicates that they will have difficulty achieving academic success at the postsecondary level. The House and Senate concurred in the Governor's recommendation to provide \$3,584,566, which will provide continuation level funding for the program for FY 1999-2000.

5. Renaissance Zone Tax Reimbursement

The enacted budget includes \$368,458, a \$184,542 reduction from FY 1998-99, which is the amount estimated by the Department of Treasury that will be necessary to reimburse community colleges for property tax revenue losses due to the establishment of renaissance zones within a community college district. The Senate, House, and Conference Committee accepted this level of funding.

C. BOILERPLATE LANGUAGE

The budget includes several changes to boilerplate, including language that requires the FY 2000-2001 base appropriations for a college to be reduced by 1.5% if the college raises its tuition by more than 3.0% in FY 1999-2000; intent language to encourage colleges to ensure that payment for preventative contraceptives is included in the employee's insurance plan; and intent language to ensure that colleges promote equal opportunities, eliminate discrimination, and foster a diverse student body.

**DEPARTMENT OF COMMUNITY HEALTH
P.A. 114 of 1999**

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	6,305.3	6,127.3	6,130.3	(175.0)	(2.8)
GROSS.....	7,731,533,800	7,868,269,400	8,152,205,200	420,671,400	5.4
Less:					
Interdepartmental					
Grants Received.....	69,711,600	70,651,900	69,609,900	(101,700)	(0.1)
ADJUSTED GROSS.....	7,661,822,200	7,797,617,500	8,082,595,300	420,773,100	5.5
Less:					
Federal Funds.....	3,850,305,700	4,063,811,400	4,188,318,300	338,012,600	8.8
Local and Private.....	913,477,900	861,019,100	876,009,500	(37,468,400)	(4.1)
TOTAL STATE SPENDING.....	2,898,038,600	2,872,787,000	3,018,267,500	120,228,900	4.1
Less:					
Other State					
Restricted Funds.....	291,144,900	323,542,000	382,122,500	90,977,600	31.2
GENERAL FUND/GENERAL PURPOSE.....	2,606,893,700	2,549,245,000	2,636,145,000	29,251,300	1.1
PAYMENTS TO LOCALS.....	1,086,767,300	1,068,899,800	1,086,316,500	(450,800)	(0.0)

FY 1999-2000 DEPARTMENT OF COMMUNITY HEALTH BUDGET ISSUES

ISSUES

A. FY 1998-99 SUPPLEMENTAL APPROPRIATIONS

1. Public Act 114 of 1999

The supplemental includes an FY 1998-99 appropriation covering Community Mental Health Services Programs (CMHSPs) and Medicaid special financing. The CMHSP line item is increased by \$104,212,800 Gross and \$19,984,600 GF/GP to cover a projected FY 1998-99 CMHSP funding shortfall. A GF/GP saving of \$(10,544,000) is assumed due to increased use of Medicaid special financing.

2. Public Act 69 of 1999

Supplemental funding of \$61,336,700 Gross, \$29,000,000 GF/GP covers a projected deficit in the Medicaid program. In addition, \$6,000,000 GF/GP offsets an equivalent amount of restricted revenue supporting the Michigan Emergency Pharmaceutical Program for Seniors (MEPPS). The \$6,000,000 in State restricted funding eliminated from the budget will be used to cover the costs of the State Senior Prescription Tax Credit.

3. Public Act 111 of 1999

The supplemental provides additional FY 1998-99 funding of \$44,100,000 Gross, \$20,850,500 GF/GP for shortfalls in the Medicaid program and \$2,000,000 Gross, \$350,000 GF/GP for a new Automated Pharmacy Claims Adjudication System.

B. GENERAL ISSUES

1. Medicaid Match Rate

The Federal match rate for Medicaid expenditures is based on a formula that compares the change in per capita income for each state with the average change in that measure nationwide. Due to stronger economic growth in other states, the FY 1999-2000 match rate will increase from 52.72% to 55.11%. This increase in Federal dollars leads to a reduced need for GF/GP funding, resulting in a saving of \$(133,086,000) GF/GP.

2. Unclassified Salaries

The budget includes a 3% or \$16,200 increase for unclassified salaries, bringing total funding for the six authorized unclassified positions to \$556,400.

3. Children's Waiver and Transfer of Programs to Community Living

Funding for the Children's Waiver, a program intended to divert severely developmentally disabled children from institutional settings to the home, is consolidated into a single line item. The number of available slots is expanded from 350 to 400 and funding is included to reflect increased Home Health costs for the program. The cost of these changes is \$13,289,900 Gross, \$4,756,400 GF/GP. The Children's Waiver, Community Residential Services contracts, the Southwest Community Partnership program, the Homelessness Grant program, the AIDS Housing Opportunities program, and the Omnibus Budget Reconciliation Act program (which deals with the long-term care needs of the mentally ill) are all transferred into the Community Living, Children, and Families Unit.

4. Federal and Restricted Fund Source Adjustments

A number of adjustments are made to reflect the projected actual availability of various Federal and restricted sources of revenue. It should be noted that most of the reductions do not translate into program reductions as, in most cases, the Federal or restricted funds have been overstated in the budget for a number of years. The Department, therefore, never committed to spend unrealized funds. [Table 1](#) lists the year-to-date Gross appropriation with the final enacted fund source adjustments.

Table 1

	FY 1998-99 Year-to-Date	FY 1999-2000 Adjustment	Fund Source
Southwest Community Partnership	\$1,997,200	(\$997,200)	Federal
Substance Abuse Program Enhancement, Evaluation, and Data Services	1,137,600	(1,137,600)	Federal
Omnibus Budget Reconciliation Act Implementation	12,388,700	265,000	Federal
Immunization Local Agreements	16,137,100	(4,714,600)	Federal
Sexually Transmitted Disease Local Agreements	2,678,700	150,000	Federal
AIDS Prevention, Testing, and Care Programs	22,397,200	(937,400)	Federal
Laboratory Services	7,949,000	(273,300)	IDG, Restricted
AIDS Surveillance and Prevention Program	2,433,900	(199,100)	Federal
Epidemiology Administration	3,428,900	(400,900)	Federal
Lead Abatement Program	4,900,000	(3,103,700)	Federal
Public Health Traffic Safety	152,600	(37,600)	Federal
Community Living, Children, and Families - Special Projects	8,239,500	(1,047,200)	Federal
Women, Infants, and Children Program Local Agreements and Food Costs	151,224,900	2,903,200	Federal
Pregnancy Prevention Program	7,296,100	(100,000)	Federal
Maternal and Child Health Outreach and Advocacy Programs	6,200,000	(1,400,000)	Federal
Children's Special Health Care Services	128,188,700	300,000	Private, Restricted
Drug Control Policy	1,533,900	151,400	Federal
Crime Victims Services Commission - Grants Administration Services	16,110,000	615,200	Federal, Restricted
Office of Services to the Aging	85,865,200	(2,160,000)	Federal
TOTAL:		(\$12,123,800)	

C. HEALTHY MICHIGAN FUND

The Governor and the House reduced Healthy Michigan Fund (HMF) appropriations by approximately \$8,500,000 to bring FY 1999-2000 spending to approximately \$35,000,000, the revenue projection for the HMF at that point in the budget process. The HMF is supported with 6% of the proceeds of the tax on tobacco products that is constitutionally dedicated to improving the health care quality of the citizens of the State. Since its inception in FY 1993-94, the Fund has been used principally to support a variety of ongoing health promotion efforts. Many of the reductions proposed by the Governor and the House were taken from projects that were initiated by the Governor in FY 1998-99 and intended to be of limited duration. The Governor's and House budgets also eliminated or reduced funding for several legislatively initiated projects for which time limits had never been specified. The House included language that outlined project and spending priorities that were to be funded in the event HMF revenue projections were adjusted upward. The Senate and enacted budgets, using higher HMF revenue projections and greater than \$8,000,000 in uncommitted HMF revenue from prior years, restored many of the reductions proposed by the House and the Governor, and funded or increased funding for a variety of new and existing initiatives. Language establishing time limits for several projects was included in the Senate and enacted budgets. Table 2 compares the FY 1998-99 and FY 1999-2000 distributions of the HMF.

Table 2

	FY 1998-99 Enacted	FY 1999-2000 Executive	FY 1999-2000 House	FY 1999-2000 Senate	FY 1999-2000 Enacted
1. Adolescent health care services	\$850,000	\$850,000	\$850,000	\$850,000	\$850,000
2. African American male health initiative	320,000	0	100	320,000	320,000
3. AIDS Medicaid risk pool	0	0	0	200,000	400,000
4. AIDS/HIV risk reduction	1,200,000	1,000,000	1,000,000	1,000,000	1,000,000
5. Alzheimer's disease outreach and education	100,000	50,000	50,000	290,000	290,000
6. Cancer prevention and control (1)	6,554,100	6,411,200	6,411,200	6,404,100	6,411,200
7. Dental programs	150,000	150,000	150,000	150,000	150,000
8. Diabetes local agreements	2,700,000	2,150,000	2,150,000	2,650,000	2,650,000
9. Early childhood collaborative secondary prevention	0	0	60,400	0	1,000,000
10. Epidemiology (Behavioral Health Risk Survey)	0	150,000	150,000	150,000	150,000
11. Genetics education (2)	100,000	0	0	0	0
12. Health education, promotion, and research (Learning Center)	0	0	0	300,000	300,000
13. Health education, promotion, and research (Osteoporosis) (2)	650,000	150,000	150,000	150,000	400,000
14. Health planning	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
15. Housing and support services	0	0	0	0	500,000
16. Immunization local agreements	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000
17. Immunization program management and field support	259,200	267,600	267,600	267,600	267,600
18. Immunization program management and field support (Hepatitis A)	100,000	0	100	100,000	100,000
19. Infectious disease control administration (nosocomial infection control) (2)	200,000	0	0	0	0
20. Injury control intervention project (Brain injury)	617,500	37,500	0	37,500	200,000
21. MI-Child/Medicaid outreach	500,000	0	0	0	0
22. Michigan essential health care provider program	500,000	500,000	500,000	500,000	500,000
23. Minority health grants and contracts (Asian women project)	0	0	0	100,000	100,000
24. Nursing home employee wage/benefit increase	0	0	0	1,000,000	0
25. Palliative and hospice care (2)	750,000	0	0	700,000	700,000
26. Physical fitness, nutrition and health	1,250,000	1,250,000	1,250,000	250,000	1,250,000
27. Poison control	300,000	300,000	300,000	300,000	300,000
28. Pregnancy prevention programs	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000
29. Prenatal care outreach and service delivery support	250,000	250,000	250,000	250,000	250,000

	FY 1998-99 Enacted	FY 1999-2000 Executive	FY 1999-2000 House	FY 1999-2000 Senate	FY 1999-2000 Enacted
30. Respite care	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
31. Senior nutrition services	500,000	500,000	500,000	500,000	500,000
32. Senior Olympics	0	0	100	0	100,000
33. Sexually transmitted disease control local agreements (Hepatitis B) (2)	4,600,000	0	0	0	0
34. Smoking prevention program (3)	5,682,200	5,705,100	5,682,200	5,705,100	5,705,100
35. Special projects (community action project)	0	0	0	120,000	120,000
36. Special projects (fetal alcohol)	200,000	0	0	200,000	200,000
37. Sudden infant death syndrome (2)	400,000	0	0	0	0
38. Training and evaluation	243,500	243,500	243,500	243,500	243,500
39. Violence prevention	2,000,800	2,005,100	2,005,100	2,500,800	2,705,100
40. Worksite wellness	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Total:	\$43,877,300	\$34,870,000	\$34,870,300	\$38,138,600	\$40,562,500
<p>(1) Health Behavior Risk Factor Survey Funding transferred to Epidemiology</p> <p>(2) FY 1998-99 projects initiated by the Governor, intended to be of limited duration</p> <p>(3) Includes \$609,100 and \$200,000 transferred to the Departments of State Police and Treasury respectively for tobacco tax enforcement.</p>					

D. MENTAL HEALTH ISSUES

1. Community Mental Health Base Funding

Funding for Community Mental Health Services Programs in FY 1999-2000 was increased by \$41,902,600 Gross, \$13,296,100 GF/GP over FY 1998-99. This increase comprises primarily the following adjustments:

- a. Funding for CMHSPs was increased by \$9,700,400 Gross and Federal to recognize additional Medicaid revenue that will be available as fewer clients are served in State facilities.
- b. The full-year cost of the various April 1, 1999, CMHSP employee wage pass-throughs is recognized, at a cost of \$13,742,500 Gross, \$3,280,100 GF/GP.
- c. Funding for CMHSPs is increased by \$18,459,700 Gross, \$10,016,000 GF/GP to cover a Medicaid funding shortfall that occurred when the Department shifted its mental health Medicaid population to a managed care program.

2. Community Mental Health Oversight

The CMHSP line item is split into five separate line items in order to permit better tracking of program expenditures and to increase legislative oversight. The main line items are CMHSP Medicaid, CMHSP non-Medicaid, and Substance Abuse. Language was added restricting the ability of the Department to contract in excess of appropriations. Removal of other FY 1998-99 language will permit the Department to direct CMHSP Purchase of State Services dollars directly to the CMHSPs, which will put an end to so-called "trade-off" funding.

3. Facility Downsizing

Due to the continued decline in population at State facilities, funding is reduced by \$9,070,700 Gross, (\$0 GF/GP).

4. Substance Abuse

Funding totaling \$2,100,000 Gross (\$2,000,000 Federal and \$100,000 Restricted) is included to cover the cost of substance abuse treatment for cash welfare recipients who are required to receive such treatment as a condition of eligibility.

E. PUBLIC HEALTH

Local Public Health Operations

The budget includes a \$1,161,400 or 3% increase for the local public health operations appropriation, which provides funding to local health departments for eight key public health services: immunizations, sexually transmitted disease control, communicable disease control, hearing screening, vision screening, food service sanitation, public and private water supply, and on-site sewage management. The increase brings total funding for this program to \$39,874,000. The amounts associated with the provision of food service sanitation, water supply, and sewage management services are transferred, via interdepartmental grant, to the Departments of Agriculture and Environmental Quality, where those elements of the program are to be administered.

F. AGING

1. Senior Respite Services

The Senior Respite Program is intended to assist seniors to avoid institutional placement by providing family care-givers respite from their care-giving responsibilities. The Program provides supervision, socialization, and assistance to seniors with cognitive or physical impairments in both home and community settings. Specialized respite services are also available to grandparents raising grandchildren. The Program historically has been supported with escheats funds from Blue Cross and Blue Shield of Michigan. To reflect the projected availability of Blue Cross/Blue Shield escheats funds, the Governor's and House budgets reduced the amounts appropriated from the escheats funds for the Respite Program by \$1,500,000, and increased appropriations from Federal funds by an equal amount. The Senate and enacted budgets assumed an additional \$100,000 in escheats funds and appropriated them for the Human Development Commission senior respite project. The enacted budget also includes \$5,000,000 in tobacco settlement revenue to expand senior respite services. Language included in the enacted budget specifies that the tobacco settlements funds are to be allocated exclusively for direct respite care in accordance with a plan to be developed by the long-term care working group established in the FY 1998-99 Department of Community Health appropriation act.

2. Long-Term Care Advisor

The enacted budget includes \$3,000,000 in tobacco settlement revenue for the establishment of a long-term care advisor. Language was included to require that the long-term care advisor funding be allocated in accordance with a plan to be developed by the long-term care working group established in the FY 1998-99 Department of Community Health budget act.

3. Senior Centers

A \$1,000,000 GF/GP, or 87.7% increase for senior center staffing and equipment was provided by the Conference Committee, bringing total funding for the Senior Center Program to \$2,140,700. Senior centers provide a wide range of programs for seniors including congregate and home-delivered meals, outreach, service information, transportation, shopping assistance, health screening and education, and volunteer and community service opportunities.

G. MEDICAID

1. Medicaid Base Adjustment

The primary Medicaid accounts were adjusted to reflect consensus estimates of expenditure and utilization patterns. These base adjustments amount to \$102,263,300 Gross with a GF/GP cost of \$43,343,000. Other base adjustments include an increase of \$15,708,400 Gross, \$7,051,500 GF/GP for the Medicaid-funded Adult Home Help program; an increase of \$6,746,800 Gross, \$18,152,600 GF/GP to reflect changes in Medicaid special financing; and a reduction of \$6,905,800 Gross, \$3,100,000 GF/GP to reflect potential savings from new restrictions on single source pharmaceuticals and implementation of the automated on-line claims adjudication system.

2. Targeted Medicaid Increases

- a. This appropriations act contains an across-the-board 4% inflationary increase for noncapitated (fee-for-service) Medicaid providers except hospitals and pharmacies. The former received a 3.1% increase and the latter will be the recipient of a new automated on-line claims adjudication system that should provide direct savings to pharmacies. Additional funds are provided for an \$11,000,000 Rural Hospital Initiatives program, a \$30 per month increase in the Adult Foster Care personal care services rate, an additional 11% increase in Home Health visit rates, a \$9,900,000 funding pool for Medicaid dental provider expansion and retention, and \$1,000,000 for dental services rendered by Federally Qualified Health Centers (FQHCs). The total cost of these items is \$62,455,900 Gross, and \$28,595,700 GF/GP.
- b. Medicaid long-term care services also received funding increases. These are a 4% increase in the per diem rate, a 75 cents per hour wage and benefit pass-through, and a one-time Long Term Care Innovations Grants program of \$22,300,000 that is funded with tobacco settlement money. Long-term care recipients also received a \$30 per month increase in their personal needs allowance. The aggregate cost of these items is \$77,591,800 Gross, \$19,830,900 GF/GP.
- c. Qualified Health Plans, the Medicaid managed care providers, received a 4% increase in per capita payments at a cost of \$48,803,700 Gross, \$21,908,000 GF/GP.

3. Elder Prescription Insurance Coverage (EPIC) Program

Included in this act is \$45,000,000 for a new senior prescription plan. This plan will provide pharmaceutical coverage similar to that available to State employees. Program premiums run from zero dollars for those seniors with household income at or below 100% of poverty, to a maximum of 5% of household income for those at 200% of poverty. Once implemented (currently targeted for July 1, 2000), this program

will replace the existing senior prescription refundable tax credit and MEPPS. The full-year cost of this program is estimated at \$56,000,000 Gross.

4. Maternal and Infant Support Services and Early and Periodic Screening, Diagnosis, and Treatment

Maternal and infant support services (MSS/ISS), including preventive health, psycho-social and nutrition services, are available to Medicaid eligible pregnant and postpartum women and infants who are at risk for negative birth and/or health outcomes. The Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) Program provides for regular health screening, well child, immunization, and treatment or remedial services for Medicaid eligible children under age 21. It has been contended that, under Medicaid Managed Care, the number of individuals served and the number and quality of services provided in these programs have declined. The currently available data on these programs, however, are insufficient to support or refute this contention. To address the concerns over the adequacy of the MSS/ISS and EPSDT Programs, the following language was included in the enacted budget:

- a. Language requiring the Department to do or demonstrate that it has accomplished all of the following: developed uniform service definitions, criteria for referral for, and standards for screening and services content for EPSDT and MSS/ISS; explored the feasibility of developing and requiring a uniform encounter form for these services; required health plans to evaluate 100% of pregnant women upon first pregnancy visit for referral for MSS/ISS screening; required health plans to notify a local health department of referral for MSS/ISS screening or referral and missed appointments; prohibited health plan preauthorization of any EPSDT service, MSS/ISS screening referral, and up to three MSS/ISS service visits to health plan contracted providers; and coordinated MSS/ISS services with other State-supported programs. The language further requires the Department's Medicaid Managed Care external quality review contractor to conduct a statistically significant sampling of all qualified health plans for certain MSS/ISS and EPSDT service data elements, and to compile and report its findings to the Legislature.
- b. Language requiring the Department to allocate nearly \$8,000,000 in EPSDT and MSS/ISS outreach funds to qualified health plans for the purpose of contracting with local health departments for outreach services to Medicaid qualified health plan enrollees referred for EPSDT or MSS/ISS services, or who have failed to keep MSS/ISS or EPSDT appointments. In previous years, the outreach funding was allocated directly from the Department to local health departments for general Medicaid outreach services.

H. FEE INCREASES

The budget for the Newborn Screening Program assumes an increase in the newborn screening fee from the current \$29.38 level to \$38.56. Under the Program, all newborns in the State are screened for seven serious treatable diseases at birth including phenylketonuria, galactosemia, hypothyroidism, sickle cell disease, congenital adrenal hyperplasia, biotinidase deficiency, and maple syrup urine disease. All testing is performed by the State laboratory. While the fee increase will generate approximately \$1,200,000 in new revenue, the budget increase was \$909,300, bringing total Program funding to nearly \$5,000,000. The budget increase is intended to improve laboratory testing procedures through upgraded equipment; to cover the increased costs of laboratory reagents; to provide increases to regional genetic follow-up, medical management, counseling and education contracts; and to initiate an adult onset hereditary disorders education program. The remaining increased fee revenue that was not used to increase the budget was sufficient to cover an existing budget deficit in the Newborn Screening Program. As a result of a decline in the number of births in Michigan, annual revenue from the newborn screening fee had fallen below the annual budget for the Newborn Screening Program. Until FY 1999-2000, uncommitted fee revenue from prior years had been sufficient to cover the budget deficit.

I. ECONOMIC ADJUSTMENTS

Standard economic adjustments were applied for salaries and wages, retirement, insurance, and other expenditures consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries	\$14,874,800	\$8,844,900
Insurance	4,986,700	1,332,500
Retirement	2,448,800	385,700
Other	888,900	254,400
Total	\$23,199,200	\$10,817,500

J. OTHER CHANGES

Among the other less substantial changes in the budget are an increase in funding for the Arab American and Chaldean Council and ACCESS mental health and primary care services projects totaling \$600,000 Gross, \$200,000 GF/GP; the use of available Federal Maternal and Child Health Block Grant to support a special needs vision clinic (\$75,000) and a Michigan State University study into the causes of infant mortality (\$450,000); augmentation of a new HMF-supported early childhood collaborative secondary prevention initiative (item 9 in [Table 2](#)) with \$300,000 GF/GP; and State General Fund support for two projects at the University of Michigan: a project to integrate the delivery of physical and mental health services involving the University of Michigan Health System and Washtenaw County (\$350,000), and a project to evaluate community and State child health programs and policies (\$250,000).

VETOES

A. LUTHERAN HOME

The Governor vetoed a \$500,000 allocation from the Healthy Michigan Fund for the Lutheran Home in Bay City. The allocation was made through budget language that also allocated \$500,000 from the HMF for the Youth Commonwealth in Grand Rapids.

FY 2000-2001 DEPARTMENT OF COMMUNITY HEALTH BUDGET ISSUES

ISSUES

A. MEDICAID

The budget includes FY 2000-01 funding of \$2,211,473,600 Gross; \$967,740,800 GF/GP in order to cover a 4% rate increase in FY 2000-01 for Qualified Health Plans, Hospital Services, and Physician Services.

CONSUMER AND INDUSTRY SERVICES
P.A. 122 of 1999

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	4,130.4	4,132.4	4,148.4	18.0	0.4
GROSS.....	468,026,300	493,533,500	495,233,500	27,207,200	5.8
Less:					
Interdepartmental					
Grants Received.....	4,675,300	4,020,900	4,020,900	(654,400)	(14.0)
ADJUSTED GROSS.....	463,351,000	489,512,600	491,212,600	27,861,600	6.0
Less:					
Federal Funds.....	204,389,500	217,890,000	219,090,000	14,700,500	7.2
Local and Private.....	926,700	791,900	791,900	(134,800)	(14.5)
TOTAL STATE SPENDING.....	258,034,800	270,830,700	271,330,700	13,295,900	5.2
Less:					
Other State					
Restricted Funds.....	186,534,800	193,473,200	193,473,200	6,938,400	3.7
GENERAL FUND/GENERAL PURPOSE.....	71,500,000	77,357,500	77,857,500	6,357,500	8.9
PAYMENTS TO LOCALS.....	33,773,700	33,773,700	33,773,700	0	0.0

CONSUMER AND INDUSTRY SERVICES
FY 1999-2000 Budget

ISSUES

A. OCCUPATIONAL SAFETY & HEALTH

The budget includes a \$181,200 increase in restricted funding and 2.0 FTE positions for the Safety Education and Training program. The increase will add two more industrial hygienists to this consultative program, which provides safety education and training on a voluntary basis to businesses around the State.

B. NURSING HOME SURVEYORS

The budget includes an increase of \$1,600,000 and 16.0 FTEs for additional staff to survey nursing homes.

C. EMERGENCY MEDICAL SERVICES GRANTS AND CONTRACTS

The budget includes a \$100,000 GF/GP increase to be used as increases for the existing contracts.

D. PROGRAM TRANSFERS

Nursing Home Quality Incentive Grants

The budget includes the transfer of \$10,000,000 from the Department of Community Health, this money was used to fund the Continuous Quality Improvement Program from that Department. The Department of Consumer and Industry Services will administer this program Statewide and provide incentive funding for nursing homes to meet the existing quality of care standards set under the inspection and review process. The Department is required in boilerplate to provide the Legislature with a plan for implementing this program by October 1, 1999.

E. UNCLASSIFIED SALARIES

The budget includes a \$146,300 (3%) increase for the unclassified salaries line item.

F. FEE INCREASES

Fire Safety Fee Increase

The budget includes a \$241,000 fee and an FTE increase for both Fire Safety Construction Plan Reviews and Construction Inspections for hospitals and schools. Two FTEs will be added to the Construction Coordination Enhancement program and two FTEs will be added for the Plan Review program. The Plan Review program will be expanded for the State-owned facility inspections for which no fees are collected.

G. ECONOMIC ADJUSTMENTS

Standard economic adjustments were applied for salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salary and Wages	\$5,106,100	\$717,600
Insurance	3,684,900	547,000
Retirement	1,385,000	223,200
Motor Transport	133,100	23,000
Other	940,200	137,700
Total	\$11,249,300	\$1,648,500

H. OTHER CHANGES

The budget includes an increase of \$3,689,400 which includes adjustments for various Federal, restricted, and private fund sources as well as adjustments for rent and building occupancy costs.

**DEPARTMENT OF CORRECTIONS
P.A. 92 of 1999**

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	17,371.9	19,174.3	19,174.3	1,802.4	10.4
GROSS.....	1,441,935,000	1,566,641,700	1,567,641,800	125,706,800	8.7
Less:					
Interdepartmental					
Grants Received.....	6,599,300	6,615,600	6,615,600	16,300	0.2
ADJUSTED GROSS.....	1,435,335,700	1,560,026,100	1,561,026,200	125,690,500	8.8
Less:					
Federal Funds.....	19,828,800	24,686,400	25,686,400	5,857,600	29.5
Local and Private.....	401,100	412,800	412,800	11,700	2.9
TOTAL STATE SPENDING.....	1,415,105,800	1,534,926,900	1,534,927,000	119,821,200	8.5
Less:					
Other State					
Restricted Funds.....	46,548,700	48,347,900	48,347,900	1,799,200	3.9
GENERAL FUND/GENERAL PURPOSE.....	1,368,557,100	1,486,579,000	1,486,579,100	118,022,000	8.6
PAYMENTS TO LOCALS.....	75,029,100	78,816,500	78,816,500	3,787,400	5.0

CORRECTIONS
FY 1999-2000 Budget

ISSUES

A. FY 1998-99 SUPPLEMENTAL APPROPRIATIONS

Public Act 92 of 1999

A supplemental appropriation to transfer funds from the bed leasing line item to bed leasing and alternatives to bed leasing was approved. The supplemental will not affect Gross or GF/GP appropriations in FY 1998-99. Unspent funds may be transferred to a work project account at the end of FY 1998-99.

B. OVERVIEW

The enacted FY 1999-2000 budget for the Department of Corrections (DOC) includes an increase in General Fund/General Purpose spending of \$118,022,000 or a 8.6% increase over FY 1998-99 levels. The growth primarily funds the operation of newly constructed or renovated prison beds. The newly available in-state capacity will replace beds leased out-of-state, which reduces the overall fiscal impact on the FY 1999-2000 budget.

C. PRISON BED EXPANSIONS

- 1. Drop-in Unit Expansions and Prison Renovations** - The budget provides \$16,559,400 for prison beds in new units added to existing facilities. The funding will provide for 347.1 FTEs to operate an additional 1,800 beds. In addition, the newly renovated State Prison of Southern Michigan cell blocks 6, 11, and 12 will reopen with 335.9 FTEs to operate 753 prison beds. The appropriation of \$16,542,800 will pay for this added capacity.
- 2. Newly Constructed Prisons** - The budget includes \$32,286,000 for prison beds in newly constructed facilities. The funding will provide for 650.7 FTEs to operate 1,632 beds.
- 3. Secure Level I Prisons** - Also included in the appropriation is \$6,424,500 to operate newly expanded and converted prison camps as secure level I facilities. The funding will provide 398.0 FTEs to operate 1,280 prison beds.
- 4. Leased Beds** - The budget was reduced by \$35,807,300 in Gross appropriations and \$30,807,300 in GF/GP appropriations. Costs of bed leasing for FY 1999-2000 will be provided by work project funds enacted in the FY 1997-98 supplemental, and the FY 1998-99 supplemental.
- 5. Youth Correctional Facility** - A full-year appropriation of \$16,151,300 for the Youth Correctional Facility with an estimated average population of 480 prisoners is included in the budget. The appropriation includes GF/GP funds of \$725,700 for 2.0 FTEs for contract supervision. The Gross appropriations increase over FY 1998-99 is \$10,212,900 funded with Federal funds.

D. PRISON OPERATING ISSUES

1. **New Employee Training and Hearing Officers** - Appropriations were increased by \$7,070,600 to address expected increases in normal turnover and training of 1,731.7 new FTEs. In addition, two new hearing officer positions will be funded for \$161,300.
2. **Health Care** - The vaccination program for prisoners and employees was increased by \$500,000, Hospital and Specialty Care was increased by \$3,141,300, and Clinical Centers were increased by \$5,262,400 to address increases in prison population. An increase for HIV/AIDS medications of \$480,700 was included and Federal funds for HIV/AIDS intervention increased Gross appropriations by \$80,000.
3. **New Initiatives and Requirements** - The budget provides \$1,456,400 and 31.7 FTEs for two DOC-initiated programs, Project START and Project CHANGE. In addition, uniforms required by Public Act 376 of 1998 and through litigation in the *Cain* case will be funded for \$4,874,700.
4. **Federal School Lunch Program** - The budget provides for an increase of \$135,000 in the Federally funded school lunch program
5. **Miscellaneous Prison Operations Issues** - An increase of \$2,073,200 for mental health services to address the increase in prison population was recommended by the Governor. The House with the Senate concurring reduced the increase by \$1,042,000, moving the funds to probation residential centers for an increase in per deim rates. An additional \$525,000 was appropriated for employee drug testing, and \$3,741,300 for a leap year adjustment.

E. ALCOHOL AND SUBSTANCE ABUSE PILOT PROJECTS

Substance Abuse Administration and Testing - The budget includes an increase of \$777,000 in GF/GP funding for a sweat patch drug testing program and to replace Federal funds that have supported this program. The Gross appropriation increase is \$190,000. Residential provider per deim rates were increased by \$351,400.

F. COMMUNITY PROGRAMS

1. **Community Residential Program Centers** - The appropriation eliminated six centers, reducing the budget by \$6,000,000 and 65.0 FTEs.
2. **Regional Jail Program** - The Governor recommended eliminating this program. The House, with the Senate concurring, reduced funds for this program by \$1,999,900 to \$100.
3. **Comprehensive Plans and Services and Probation Residential Centers** - The Governor recommended increasing the grant program by \$553,000 for new counties joining the program. The House added \$1,000,000 in Federal funds to the program. The House increased the per deim for probation residential centers with a transfer of \$1,042,000 from mental health services.

- 4. Probation and Parole** - The budget includes \$625,000 in restricted funds received in supervision fees for probation and parole with a corresponding increase in the expenditures for operating and field agent costs.

G. UNCLASSIFIED SALARIES

An economic adjustment for unclassified salaries recommended in the fiscal year 1999-2000 budget represents a 3% increase, or \$37,600.

H. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries	\$25,336,200	\$24,766,100
Retirement	8,270,800	8,070,400
Insurance	17,187,300	16,765,700
Motor Transport	180,600	169,500
Medical Services	628,900	628,900
Food	590,700	590,400
Workers' Compensation ...	850,800	850,800
Fuel and Utilities	713,600	706,300
Building Occupancy	38,900	38,900
Postage	3,700	3,700
Total	\$53,801,500	\$52,579,700

I. OTHER CHANGES

The budget includes \$1,181,000 for rent of a new location for new employee training. The budget also includes \$250,000 for increased rent on Grandview Plaza due to the loss of a tax abatement. A Federal funding adjustment of \$2,900 reduced gross spending.

**DEPARTMENT OF EDUCATION
P.A. 113 of 1999**

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	542.6	542.6	542.6	0.0	0.0
GROSS.....	885,267,200	983,215,900	1,001,506,100	116,238,900	13.1
Less:					
Interdepartmental					
Grants Received.....	1,373,000	1,056,700	1,084,700	(288,300)	(21.0)
ADJUSTED GROSS.....	883,894,200	982,159,200	1,000,421,400	116,527,200	13.2
Less:					
Federal Funds.....	815,385,900	910,165,900	928,508,200	113,122,300	13.9
Local and Private.....	8,907,800	6,831,600	6,831,600	(2,076,200)	(23.3)
TOTAL STATE SPENDING.....	59,600,500	65,161,700	65,081,600	5,481,100	9.2
Less:					
Other State					
Restricted Funds.....	13,456,700	27,294,700	27,264,600	13,807,900	102.6
GENERAL FUND/GENERAL PURPOSE.....	46,143,800	37,867,000	37,817,000	(8,326,800)	(18.0)
PAYMENTS TO LOCALS.....	27,622,100	27,472,600	27,492,600	(129,500)	(0.5)

ISSUES

A. FY 1998-99 SUPPLEMENTAL APPROPRIATIONS

Public Act 69 of 1999

The FY 1998-99 supplemental included \$10,000,000 in Federal funds for class size reduction grants, and \$3,500,000 (half GF/GP, half private funds) for expanded production of reading kits to be distributed to infants and toddlers as part of the Reading Plan for Michigan.

B. STATE BOARD OF EDUCATION/OFFICE OF THE SUPERINTENDENT

The FY 1999-2000 budget includes \$14,700 GF/GP, for a 3% increase in unclassified salaries.

C. DATA AND TECHNOLOGY SERVICES

A new data warehouse system, the Michigan Education Information System, is funded at \$750,000 GF/GP in this unit. This system will link all schools electronically for the purpose of entering data related to pupils, allowing for the tracking of test scores, grades, course work, and other aspects of public education. Legislators and the general public will be able to download general trend information, while only specific educators at the local level will have access to secure and private individual information.

D. STANDARDS, ASSESSMENT, AND ACCREDITATION SERVICES

1. The Governor proposed replacing the GF/GP funding of the Michigan Educational Assessment Program (MEAP) with Tobacco Settlement Revenues, and increasing funding for the program by 76%, or an additional \$5,613,700, bringing total funding to \$13,002,100. The House and Senate concurred with the use of Tobacco Settlement Revenues, but funded the program at \$13,000,000. The additional funding is needed to cover costs associated with the increase in tests taken, the inclusion of the social studies test, and the grading of written portions by Michigan teachers.
2. The budget includes funding of \$237,500 GF/GP for a study of teacher preparation, to assess the satisfaction of administrators and teachers with course and field-work offered by higher education institutions in preparing students for careers in education.

E. INNOVATION AND COMMUNITY SERVICES

The budget includes \$200,000 in Federal funds for the operation of the Office for Safe Schools. The House had included boilerplate earmarking funds for this purpose; the Senate included the funding as an appropriation in Part I. The Office is designed to collect and distribute information on violence prevention programs, develop model policies, and provide technical assistance on school violence prevention.

F. FEDERAL PROGRAMS

For FY 1999-2000, an increase of \$117,407,800 in Federal grant programs is anticipated. The largest new grant is the Class Size Reduction Grant, appropriated at \$50,275,700, to be distributed to districts on a formula basis, using Title I funding as the basis for the distribution. Other new grants include the Reading Excellence Act (\$29,000,000) and Gear-Up (\$2,000,000), designed to encourage students in high school to seek some form of postsecondary education. The School Lunch Program will receive an increase of 5%, or \$11,300,000. Title I, funding for disadvantaged children, is appropriated at \$15,000,000 (or 4.5%) more than FY 1998-99 levels.

G. STATE PROGRAMS

Funding for the Fast Track Program, a Focus: HOPE initiative designed to enhance computer, math, and science skills, was eliminated from this budget and rolled into funding for Focus: HOPE within the Department of Career Development. Also, funding for the Michigan Geographic Alliance was removed for FY 1999-2000. Each program was funded at \$300,000 GF/GP in FY 1998-99, but again is no longer funded in this budget for FY 1999-2000.

H. ECONOMIC ADJUSTMENTS

The budget includes a total of \$1,453,900 Gross (\$394,200 GF/GP) for standard economic adjustments that are applied to salaries and wages, insurance, retirement, food, workers' compensation, fuel and utilities, and building occupancy charges consistent with factors applied to all budgets.

**DEPARTMENT OF ENVIRONMENTAL QUALITY
P.A. 125 of 1999**

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	1,608.7	1,608.7	1,610.7	2.0	0.1
GROSS.....	400,787,900	396,546,000	393,588,600	(7,199,300)	(1.8)
Less:					
Interdepartmental					
Grants Received.....	7,121,100	16,778,700	16,778,700	9,657,600	135.6
ADJUSTED GROSS.....	393,666,800	379,767,300	376,809,900	(16,856,900)	(4.3)
Less:					
Federal Funds.....	127,020,800	126,831,500	126,831,500	(189,300)	(0.1)
Local and Private.....	1,629,400	1,656,000	1,529,300	(100,100)	(6.1)
TOTAL STATE SPENDING.....	265,016,600	251,279,800	248,449,100	(16,567,500)	(6.3)
Less:					
Other State					
Restricted Funds.....	172,515,300	155,183,400	152,202,700	(20,312,600)	(11.8)
GENERAL FUND/GENERAL PURPOSE.....	92,501,300	96,096,400	96,246,400	3,745,100	4.0
PAYMENTS TO LOCALS.....	8,969,900	6,419,900	6,619,900	(2,350,000)	(26.2)

ENVIRONMENTAL QUALITY
FY 1999-2000 Budget

ISSUES

A. FY 1998-99 SUPPLEMENTAL APPROPRIATIONS

Public Act 111 of 1999

The FY 1998-99 supplemental contained the first year of Clean Michigan Initiative as follows:

Environmental Cleanup & Redevelopment	\$47,856,000
Waterfront Redevelopment	20,000,000
Brownfield Grants & Loans	2,000,000
Municipal Landfill Match Grants	2,000,000
Leaking Underground Storage Tanks	12,597,000
Contaminated Sediment Cleanup	4,300,000
Nonpoint Source Pollution Control Grants	12,000,000
Retired Engineers Technical Assistance Fund	10,000,000
Small Business Pollution Prevention Assistance Revolving Loan Fund	5,000,000
Small Business Pollution Prevention Loans	<u>5,000,000</u>
TOTAL	\$120,753,000

B. CLEANUP AND REDEVELOPMENT FUND

The FY 1999-2000 budget includes a \$14,813,400, or 65%, reduction in appropriations from the Cleanup and Redevelopment Fund to reflect the termination of payment of Unclaimed Bottle Deposit arrearages. For the past three years, an additional \$15,000,000 has been provided to the DEQ from a \$45,000,000 balance in the Unclaimed Bottle Deposit Fund that developed during the initial years of the law's enactment. The remaining \$8,200,000 appropriation reflects estimated annual revenues, and includes the following program reductions:

Environmental Cleanup and Redevelopment	(\$9,879,400)
Underground Storage Tank Cleanup Program	(2,934,000)
NPL-Municipal Landfill Grants	<u>(2,000,000)</u>
TOTAL	(\$14,813,400)

C. MUSTFA EMERGENCY RESPONSE FUND

The House, upon the request of the DEQ, eliminated \$3,000,000 in funding for the MUSTFA Emergency Response Fund, which was repealed as of December 1998. The Senate concurred in the elimination of this funding.

D. BROWNFIELD RELOCATION REVOLVING LOAN FUND

The Senate added \$2,000,000 in Waste Reduction Revenue to establish a loan program directed at helping businesses that locate in reclaimed brownfields to obtain pollution prevention equipment. The House did not approve this program, nor was it restored in Conference. The FY 1998-99 Clean Michigan Initiative includes \$5,000,000 for a Small Business Pollution Prevention Assistance Revolving Loan Fund.

E. SETTLEMENT FUND GRANTS

The Senate added \$500,000 in Settlement Fund revenue to direct any excess funds from environmental settlements to local governments in the locations where damages occurred. This program was not approved by the House, or restored in the Conference Committee. Boilerplate language was added to establish a Settlement Funds work group to explore how these revenues are used in Department operations.

F. CRIMINAL ENFORCEMENT

The Senate and House added \$115,000 GF/GP and 2.0 FTEs for increased law enforcement of the importation of waste from other states. The Conference Committee reduced this increase to \$75,000 GF/GP and 1.0 FTE.

G. LOW INCOME WASTE WATER ASSISTANCE

The House added \$200,000 GF/GP for a new grant line to the Michigan Community Action Agency Association to help rural communities expand their wastewater facilities. The Conference Committee reduced this to \$90,000 GF/GP.

H. GIS FLOODPLAIN MAPPING

The FY 1999-2000 budget includes \$280,000 in funds to complete a Geographic Information System to document the State's floodplains. This will help complete an inventory of the entire State and focus on future building in floodplains as well as minimizing runoff from agricultural sites.

I. NATURAL FEATURES INVENTORY

The Senate included language to prohibit funding permit review activities by organizations that acquire endangered species habitat. The House replaced the language with a requirement that the Department prepare a transition plan for the future operation of the program. The Conference Committee adopted the House language, with a modification requiring the DEQ to cooperate with the DNR, the lead agency on preparing the transition plan.

J. URBAN SPRAWL

The House added language requiring that the DEQ consider the impact of grants, loans, or technical assistance on urban redevelopment and existing public utilities. The language encouraged multigovernmental cooperation and that the Department consider the compatibility of State-funded projects with local zoning ordinances. The language was not approved by the Conference Committee.

K. CITY OF JACKSON, GRAND RIVER CAP REMOVAL

The House added \$250,000 GF/GP to continue removal of the cap on the Grand River in Jackson. This was not approved in the Conference Committee. The Clean Michigan Initiative includes \$1,100,000 for this project.

L. FUNDING SHIFTS

1. Environmental Protection Agency - UST Revenue

The FY 1999-2000 budget includes \$800,000 in General Fund dollars for Leaking Underground Storage Tanks to maintain program activity in light of the loss of Federal revenues.

2. Settlement Funds

Decreased revenues from court fines and judgments paid by parties responsible for environmental contamination have resulted in a 23% reduction in appropriations from this funding source for FY 1999-2000. Replacement with \$1,000,000 in General Fund support was recommended by the Governor and adopted by the Legislature. The Senate eliminated the use of settlement funds for the Criminal Investigations unit, and offset this by an increase in the use of these funds in the Environmental Response Division, which was adopted by the House and Conference Committee.

	Settlement Fund	GF/GP
Executive	(\$84,800)	\$84,800
Financial and Business Services	(53,700)	53,700
Drinking Water	(49,500)	49,500
Environmental Response	138,500	(138,500)
Waste Management	(233,900)	233,900
Environmental Assistance	(11,700)	11,700
Criminal Investigations	(704,900)	704,900
TOTAL	(\$1,000,000)	\$1,000,000

3. Drinking Water

The Senate reduced Drinking Water programs by \$115,000 GF/GP, offset with a \$115,000 increase in Water Analysis fee revenue. This was based on a cost and activity analysis provided by the Department that showed fee-based activities receiving a General Fund subsidy.

4. Waste Management

The budget includes a \$38,900 increase in restricted funds for compliance activities and \$68,000 for hazardous waste permits, to offset a decrease in Federal revenues.

M. PROJECT DECREASES AND ELIMINATIONS

The FY 1999-2000 budget includes reductions of the following programs, elimination of one-time projects, and adjustments to reflect available revenues.

Great Lakes Protection Fund	(\$1,000,000)	decrease due to late FY 1998-99 contingency transfer
Drinking Water	(811,500)	decrease to reflect available revenues
Center for Applied Environmental Research	(170,000)	elimination of one-time project
Volunteer River, Stream, Creek Cleanup	(50,000)	elimination of one-time project
Community Right-to-Know	(150,000)	elimination of one-time project
Hazardous Waste Program Support	(287,300)	decrease to reflect available revenues
Scrap Tire Grants	(2,350,000)	decrease to reflect available revenues
Environmental Bond Administration	(116,500)	decrease to reflect available revenues
Environmental Bond Waste Management	(583,600)	decrease to reflect available revenues
TOTAL	(\$5,519,400)	

The Governor had recommended elimination of a \$100,000 grant for Big Rapids Dam Removal, which was restored by the Senate at \$115,000, and agreed in Conference at \$100,000 GF/GP.

N. PROGRAM INCREASES

The FY 1999-2000 budget includes increases in the following programs:

Private Rent	\$111,500	2% increase for Hollister Building
Pollution Prevention	100,000	5% increase for 1.0 FTE in the Marquette District Office.
Technical Assistance	775,00	4.2% increase due to additional wastewater training revenues
Laboratory Services	325,000	5.8% increase to reflect changes in accounting practices
TOTAL	\$614,000	

O. TRANSFER OF LOCAL HEALTH DEPARTMENT OPERATIONS

The FY 1999-2000 budget includes \$9,590,500 in funding for water supply and on-site sewage management activities performed by local health departments. This grant program is transferred from the Department of Community Health to help coordinate DEQ and local health department responsibilities.

P. UNCLASSIFIED SALARIES

The FY 1999-2000 budget includes a 3.0%, \$13,200 increase in the unclassified salaries line item.

Q. FEE INCREASES

The budget includes \$114,300 in revenue from a new fee for hazardous materials transportation permits. Legislation implementing the fee, P.A. 138 of 1998, was enacted and effective in September 1998. While the fee was in effect and revenue collected in FY 1998-99, the revenue is recognized for the first time in the FY 1999-2000 budget.

The budget also includes approximately \$1,500,000 in fee revenue originally scheduled for sunset on October 1, 1999. These fees were maintained through passage of continuation legislation.

R. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries and Wages	\$2,401,400	\$978,500
Insurance	1,420,100	579,800
Retirement	664,700	270,600
Rent/Other	288,900	150,400
Total	\$4,775,100	\$1,979,300

VETOES

A. RETIRED ENGINEERS TECHNICAL ASSISTANCE PROGRAM (RETAP)

The Governor eliminated \$300,000 in restricted revenue for the RETAP administration contract. This program uses retired engineers, scientists, and other professionals to provide businesses free, confidential, on-site pollution prevention and energy assessments. The Legislature restored the \$300,000 and included language earmarking the funding for a pilot project that would use public universities to provide assessment and personnel training services to small and medium-sized businesses in the use of hazardous materials. The project was also to provide student internship opportunities in the evaluation of business materials handling, production efficiencies, and waste reduction processes. The Governor vetoed the language and funding.

B. GREAT LAKES RESEARCH AND PROTECTION FUND GRANTS

The Governor vetoed language retained by the Legislature from the FY 1998-99 budget act, that earmarked \$100,000 in Great Lakes Protection Fund revenues for research into the adequacy of the Department's air, water, and waste standards in protecting children's health. As a result of the language veto, the Great Lakes research and protection fund grants appropriation was reduced by \$100,000.

**EXECUTIVE OFFICE
P.A. 124 of 1999**

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	75.0	75.0	75.0	0.0	0.0
GROSS.....	5,117,300	5,425,100	5,425,100	307,800	6.0
Less:					
Interdepartmental					
Grants Received.....	0	0	0	0	0.0
ADJUSTED GROSS.....	5,117,300	5,425,100	5,425,100	307,800	6.0
Less:					
Federal Funds.....	0	0	0	0	0.0
Local and Private.....	0	0	0	0	0.0
TOTAL STATE SPENDING.....	5,117,300	5,425,100	5,425,100	307,800	6.0
Less:					
Other State					
Restricted Funds.....	0	0	0	0	0.0
GENERAL FUND/GENERAL PURPOSE.....	5,117,300	5,425,100	5,425,100	307,800	6.0
PAYMENTS TO LOCALS.....	0	0	0	0	0.0

ISSUES

A. FY 1998-99 SUPPLEMENTAL APPROPRIATIONS

Public Act 69 of 1999

The supplemental for FY 1998-99 includes \$16,900 for the Governor's and Lieutenant Governor's salary and expense allowance increases pursuant to determinations of the State Officers Compensation Commission (SOCC). The FY 1998-99 enacted budget included \$5,100 based on projected SOCC increases.

B. STATE OFFICERS COMPENSATION COMMISSION DETERMINATIONS

The budget includes \$18,100 for 1999 and 2000 adjustments for the Governor and Lieutenant Governor pursuant to SOCC determinations.

C. UNCLASSIFIED SALARIES

The budget increases the line item that funds 8.0 FTE unclassified positions by \$123,600 (18%), from \$685,200 to \$808,800.

D. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, retirement, and insurance consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries	\$71,100	\$71,100
Insurance	53,200	53,200
Retirement	41,200	41,200
Postage	600	600
Total	\$166,100	\$166,100

**FAMILY INDEPENDENCE AGENCY
P.A. 135 of 1999**

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	13,465.3	13,201.3	13,222.3	(243.0)	(1.8)
GROSS.....	3,232,331,300	3,508,819,500	3,642,932,400	410,601,100	12.7
Less:					
Interdepartmental					
Grants Received.....	150,000	150,000	150,000	0	0.0
ADJUSTED GROSS.....	3,232,181,300	3,508,669,500	3,642,782,400	410,601,100	12.7
Less:					
Federal Funds.....	1,899,962,600	2,299,925,200	2,374,089,800	474,127,200	25.0
Local and Private.....	111,328,300	26,394,300	56,397,600	(54,930,700)	(49.3)
TOTAL STATE SPENDING.....	1,220,890,400	1,182,350,000	1,212,295,000	(8,595,400)	(0.7)
Less:					
Other State					
Restricted Funds.....	92,532,500	123,565,500	123,565,500	31,033,000	33.5
GENERAL FUND/GENERAL PURPOSE.....	1,128,357,900	1,058,784,500	1,088,729,500	(39,628,400)	(3.5)
PAYMENTS TO LOCALS.....	136,418,400	169,620,300	172,154,500	35,736,100	26.2

FAMILY INDEPENDENCE AGENCY
FY 1999-2000 Budget

ISSUES

A. FY 1998-99 SUPPLEMENTAL APPROPRIATIONS

1. Public Act 69 of 1999

The Act includes \$120,000,000 Gross, \$29,410,000 General Fund/General Purpose to serve a projected increase in the State Family Independence Program (FIP) and low income families' day care caseload.

2. Public Act 137 of 1999

The Act includes funds for the Child Support Program as follows: 1) \$42,840,600 Gross, \$14,544,100 GF/GP for the automation system; 2) \$32,793,300 Gross, \$11,149,800 GF/GP for the distribution computer system; and 3) \$0 Gross, \$12,754,000 GF/GP for the Federal penalties imposed due to the tardiness of the State in completing the mandated State-wide automation system. An appropriation of \$50,000,000 Gross, \$13,000,000 GF/GP is included for the Foster Care payments line for a projected FY 1998-99 expenditure shortfall. A decrease in fund sources--a shift from TANF funds to GF/GP of \$4,700,000--is included for Food Stamp program administration because program activity cannot be claimed as TANF eligible. Finally, \$500,000 Gross, GF/GP is appropriated for the Community Services Block Grant for additional grants to counties for various services.

B. TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)

The Federal block grant, created by Federal welfare reform legislation--the Personal Responsibility and Work Opportunity Act of 1996--provides support for poor families through work incentives, such as employment placement and training opportunities and various related State programs. The Michigan basic grant is \$775,353,000. The State is allowed also to carry forward any unspent block grant funds from the previous year. It is anticipated that Michigan will have \$922,776,401 in TANF funds to spend in FY 1999-2000. The funds are appropriated in Budget for the Family Independence Agency (FIA), Department of Career Development (DCD), Department of Community Health (DCH), and State Court Administrative Office. Each year states are required to maintain spending for qualified state expenditures of at least 80% (or 75% if a state meets Federal work participation requirements) of the state's historic state expenditure level. Michigan meets the work participation requirements, is required to spend at least \$468,518,400 in State funds, and counts State GF/GP spending for FY 1999-2000 in the following State departments: FIA, Career Development, Education, and Transportation. The FIA appropriation assumes use of TANF funds in FY 1999-2000 to include continuation of FY 1998-99 spending and the following adjustments:

1. TANF Fund Shifts

TANF funds of \$21,844,300 replace GF/GP spending--with a \$0 Gross, (\$21,844,300) GF/GP budget effect--for current support in technology systems automation, child and family services, and activities related to employment support efforts. The Act also provides for the FIA to receive \$0 Gross, \$29,410,000 GF/GP from the DCD and transfers \$29,410,000 Gross, \$0 GF/GP to the DCD for Work First activities and a decrease in TANF funds--a net effect of \$0 Gross, \$4,700,000 GF/GP fund shift--for Food Stamp program administration because this activity cannot be claimed as TANF eligible.

2. Replacement Of Federal Fund Reductions with TANF

TANF funds of \$18,258,400 are used to offset Federal fund reductions in Titles IV-B and XX of the Social Security Act and save GF/GP, with a \$0 Gross, (\$5,300,800) GF/GP net effect.

3. Program Expansion

The following TANF funds are appropriated for program increases:

- a. Day care caseload increase, \$281,231,000 Gross, \$0 GF/GP; and improved quality of day care services, \$33,000,000 Gross, \$0 GF/GP.
- b. Child Care Fund in-home services, \$3,000,000 Gross, \$0 GF/GP; and data collection, \$500,000 Gross, \$0 GF/GP.
- c. Project Zero, \$3,000,000 Gross, \$0 GF/GP; and Domestic Violence shelter services, \$3,000,000 Gross, \$0 GF/GP.
- d. The \$50 clothing allowance, \$7,700,000 Gross, \$0 GF/GP; services to 500 Kosovar refugee cases, \$2,791,000 Gross, \$0 GF/GP; and a 2.5% cost of living increase for cases with work requirement deferrals--due to providing care for ill family members or being unable to work because of a disability, age, or a crisis situation--\$2,100,000 Gross, \$0 GF/GP.

4. FIP Caseload Decline

A decrease of \$207,300,000 in TANF spending is appropriated due to a drop of 32,200 FIP average cases to a projected 77,800 average caseload and a reduction in the average cost per case from \$398 to approximately \$360 per case.

C. ADMINISTRATIVE

1. Unclassified Salaries

The Director and other classified positions receive a 3% increase in funding, \$14,300 Gross, \$9,000 GF/GP.

2. Automation Systems Support

An increase of \$9,843,100 Gross, \$4,767,500 GF/GP is added to the user support and service feelines for the computer service fees and hardware maintenance and software licenses. The appropriation includes \$8,291,000 Gross, \$3,327,100 GF/GP in the Data System Enhancement line for the Electronic Benefits Transfer system in order to comply with Federally mandated implementation standards. A decrease of \$16,923,200 Gross, \$5,584,700 GF/GP in the Automated Social Services Information System (ASSIST) line is made due to revisions in the concept of system use.

D. FAMILY SERVICES ADMINISTRATION

The Act includes a unit title change from Family Services Administration to Family Independence Services Administration.

Child Support-Related Activities

1. An increase of \$9,642,700 Gross, \$0 GF/GP is appropriated for costs of legal services paid to the local Friend of the Court Offices for child support-related cases. In addition, \$141,000 Gross, \$82,100 GF/GP is appropriated for expanded employment verification activity related to child support cases, in which the State pays other State agencies in order to verify employment information. The Act includes \$0 Gross, \$3,217,200 GF/GP from the anticipated reduction in child support revenue collected due to the continuing decline in Family Independence Program cases.

2. Employment and Training Support Services

The Act includes a \$12,500 Gross, GF/GP increase for the Created for Caring contract--for a total contract worth \$112,500 Gross, GF/GP--and \$112,500 Gross, GF/GP for a new contract for the Saginaw Center Career Path program.

E. CHILD AND FAMILY SERVICES

1. Foster Care and Adoption Subsidies

An increase of \$6,841,600 Gross, \$3,456,800 GF/GP is appropriated for a 2.7% rate increase for parents and agencies' administrative rate, effective January 1, 2000, and \$14,000,000 Gross, \$7,000,000 GF/GP is appropriated for a projected expenditure shortfall. An increase of \$2,517,700 Gross, \$1,163,200 GF/GP for a 2.7% increase in the daily payment rate for adoptive families is appropriated, based on statute, effective January 1, 2000. An increase of \$13,761,000 Gross, \$0 GF/GP for a projected increase of 800 cases (from 16,200 cases in FY 1998-99) was included, as was a \$1,000,000 Gross, \$0 GF/GP new Federal award for State adoption services.

2. Delinquency Services

The passage of State legislation--the County Juvenile Agency Act of 1998--provides the authority for block-granting State funds to counties for the purpose of assisting counties with juvenile delinquency services expenditures for county youth. In the department's FY 1999-2000

appropriation, the Wayne County block grant line is created for Wayne County through the transfer of all budgeted agency funds associated with Wayne County delinquency services, including foster care, family preservation and prevention services, and payments from the Child Care Fund. This line results in a net charge of \$(10,797,100) Gross, \$2,695,600 GF/GP.

The Department's FY 1999-2000 appropriation includes a unit name change from Delinquency Services to Juvenile Justice Services. An increase of \$100,000 Gross, \$0 GF/GP is appropriated for a 2.5% economic increase--retroactive for FY 1998-99--for county juvenile officers. An increase of \$1,112,700 Gross, \$527,800 GF/GP is appropriated for food, clothing, and medical expenses at State-operated facilities. An increase of \$363,800 Gross, GF/GP is appropriated to provide State matching funds required by Federal law in order to receive the State's share of the Juvenile Accountability Incentive Block Grant.

F. GRANTS

1. SSI State Supplement

An increase of \$1,058,400 Gross, GF/GP is appropriated for a projected increase of 6,300 average cases above the 209,600 cases in FY 1998-99. Funding totaling \$1,468,300 Gross, GF/GP is included for the cost of 813 personal care Title XIX cases that went into effect on October 1, 1998. A reduction of \$542,000 Gross, GF/GP is appropriated to change the method of administrative costs distribution to quarterly payments from monthly payments.

2. State Disability Assistance (SDA) Payments

A decrease of \$1,396,400 Gross, GF/GP is appropriated to reflect a projected reduction of 500 average cases from the 8,500 average caseload in FY 1998-99.

3. State Emergency Relief

Adjustments include a \$25 increase in burial rates paid to funeral directors and cemeteries for indigent burials at a cost of \$350,000 Gross, GF/GP and \$150,000 Gross, GF/GP for multicultural community services to assist the State Arab Chaldean population in assimilation.

4. Food Stamps

An increase of \$468,000,000 Gross, \$0 GF/GP is appropriated for the expansion of the Food Stamp program administered by the State due to the discontinuation of coupons, not reflected in previous years of Department appropriations, being distributed to recipients, but benefits will be distributed in cash payments by the Electronic Benefit Transfer system.

5. Low Income Home Energy Assistance Program (LIHEAP)

A decrease of \$12,000,000 Gross, \$0 GF/GP is appropriated to reflect an anticipated reduction in the Federal LIHEAP grant.

G. ECONOMIC ADJUSTMENTS

A net increase of \$20,608,600 Gross, \$8,759,100 GF/GP for standard economic adjustments is appropriated for salaries and wages, retirement, insurance, workers' compensation, and metered mail consistent with factors applied to all State budgets.

Item	Gross	GF/GP
Salaries	\$16,047,700	\$7,001,600
Insurance	683,500	259,100
Retirement	4,157,500	1,595,700
Other	(280,100)	(97,300)
Total	\$20,608,600	\$8,759,100

H. OTHER CHANGES

As a result of the FY 1998-99 supplemental appropriation increases for the FIA, the FY 1999-2000 FIA appropriation for Foster Care and Child Support Enforcement technology systems is exceeded by the FY 1998-99 adjusted appropriation. The net effect is a decrease in the total budget adjustments of \$246,133,900 Gross, \$86,057,900 GF/GP.

VETOES

A. STATE LEGAL ALIEN ASSISTANCE PROGRAM

The Governor vetoed Section 642, which appropriated \$55,000 Gross, GF/GP to establish a program to assistance State legal aliens to obtain United States citizenship. The Governor indicated in his veto message, as he did in 1998 he vetoed a similar program, that this service would more appropriately be performed by the Federal government.

**HIGHER EDUCATION
P.A. 93 of 1999**

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Enacted Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	1.0	0.0	1.0	0	0.0
GROSS.....	1,604,252,000	1,672,279,208	1,774,759,308	170,507,308	10.6
Less:					
Interdepartmental					
Grants Received.....	0	0	0	0	0.0
ADJUSTED GROSS.....	1,604,252,000	1,672,279,208	1,774,759,308	170,507,308	10.6
Less:					
Federal Funds.....	3,752,000	3,600,000	3,900,000	148,000	3.9
Local and Private.....	0	0	0	0	0.0
TOTAL STATE SPENDING.....	1,600,500,000	1,668,679,208	1,770,859,308	170,359,308	10.6
Less:					
Other State					
Restricted Funds.....	0	5,250,000	91,550,000	91,550,000	0.0
GENERAL FUND/GENERAL PURPOSE.....	1,600,500,000	1,663,429,208	1,679,309,308	78,809,308	4.9
PAYMENTS TO LOCALS.....	4,592,000	4,667,700	4,566,584	(25,416)	(0.6)

ISSUES

A. FY 1998-99 SUPPLEMENTAL APPROPRIATIONS

1. Public Act 69 of 1999

Wayne State University had received \$3,000,000 in FY 1997-98 supplemental dollars for its Diabetes Center but the FY 1997-98 supplemental was enacted at the same time as the FY 1998-99 annual Higher Education budget, which did not include an appropriation for the Center. Although the Governor did not recommend funding for the Center in either FY 1998-99 or 1999-2000, the House created an FY 1999-2000 \$100 line item for the Diabetes Center in the Higher Education bill while the Senate included (and the House concurred in) \$3,000,000 in FY 1998-99 supplemental funds for the Center. The Governor subsequently vetoed this appropriation.

The Governor did not veto FY 1998-99 Capital Outlay supplemental dollars for infrastructure, technology, equipment, and maintenance (ITEM) for both public and independent colleges and universities. The \$28,500,000 for the 15 public universities represents 2% of the FY 1998-99 operations base, and is distributed based on each university's proportion of that base (see column 12 of [Table 1](#) for a listing of the amounts). The \$1,400,000 for independent colleges also represents 2% of their FY 1998-99 base appropriation (a combination of Tuition Grant and Degree Reimbursement Programs) and is distributed through the General Degree Reimbursement Program formula, which allocates funds based on the number of degrees granted to Michigan residents in the previous academic year.

2. Public Act 93 of 1999

The Senate added to the FY 1999-2000 Higher Education bill an FY 1998-99 supplemental section that provided appropriations of \$300,000 for Northern Michigan University, and \$100 for each of the other 14 public universities, for ITEM. The Conference Report included only the \$300,000 for Northern, which was subsequently vetoed by the Governor.

B. UNIVERSITY OPERATIONS

The Governor and the House had applied 1.5% increases across-the-board for each university's Operations line item; the Senate had added 3.3%. The enacted bill adopts the Senate increase of 3.3% for each university, which provides a total of \$46,953,472 in new funding for the 15 public universities.

After the across-the-board increase, additional funds (\$29,701,953) were provided to the universities to conform with the Senate-passed version of the bill. Using the Senate-passed numbers as the basis, new funds were then added to both Michigan State University (\$3,600,000) and the University of Michigan-Ann Arbor (\$1,040,000). The appropriation for Michigan State University includes a separate, new \$250,000 line item for the Kinship Care Program. The appropriation for Western Michigan University includes funding for the Aviation Sciences Program as a part of the Operations line item.

The FY 1999-2000 percentage increases for the universities range from 3.3% to 8.6%, with an average increase of 5.4%. Table 1, column 8, lists the amount each university will receive.

C. STATE AND REGIONAL PROGRAMS

The Governor and the House recommended 2.5% increases for the Agricultural Experiment Station (AES) and the Cooperative Extension Service (CES); the Senate recommended 4.1 % increases for both AES and CES, and added \$150,000 to AES to fund a Michigan-Latvian economic development project. The Senate increased funding for the Michigan Molecular Institute \$150,000 over the amount proposed by the Governor and the House, for an FY 1999-2000 total of \$222,310. The Senate concurred with the Governor on funding for the Japan Center, the higher education database, and Midwest Higher Education Compact dues, providing \$397,210, \$275,000, and \$75,000, respectively, for FY 1999-2000. The Conferees adopted all of the Senate recommendations.

D. MARTIN LUTHER KING, JR.-CESAR CHAVEZ-ROSA PARKS INITIATIVE

The Governor and the House recommended 2.5% increases for all six of the King-Chavez-Parks programs while the Senate recommended 3.3% increases for the programs, and transferred the Visiting Professor Program funding of \$171,916 into each university's operations line item at \$11,461 per university. The table below outlines the FY 1999-2000 appropriations for each program of the King-Chavez-Parks initiative.

MARTIN LUTHER KING, JR.-CESAR CHAVEZ-ROSA PARKS INITIATIVE		
In FY 1999-2000, there are six King-Chavez-Parks programs:		
	FY 1999-2000	
College Day - students in grades 6-11 visit campuses	\$1,212,611	Appropriated to each university's Operations line item
Future Faculty Fellowships - stipends for minority graduate students pursuing teaching careers	1,228,262	
Visiting Professors - payments for visiting minority professors who lecture on campuses	171,916	
Subtotal	\$2,612,789	
Select Student Support Services - grants for minority student retention projects	\$2,039,950	Appropriated in a separate unit as grants
College/University Partnership - grants to increase number of minority transfer students	611,985	
Educator Development - to increase minority completion of K-12 teacher education	154,950	
Subtotal	\$2,806,885	
FY 1999-2000 TOTAL	\$5,419,674	

E. TUITION RESTRAINT INCENTIVE GRANTS

The Governor recommended a \$23,600,000 appropriation for tuition restraint incentive grants contingent on the adoption of resident undergraduate tuition and fee increases of 3% or less, and the repeal of the Michigan Tuition Tax Credit. The \$22,000,000 for the public universities would have been distributed proportionate to each university's share of total FY 1998-99 university operations appropriations. The \$1,600,000 for independent institutions would have been distributed based on the number of general degrees granted by each institution in the previous academic year. The House endorsed the Governor's proposal except for the repeal of the Michigan Tuition Tax Credit; the Senate did not include any part of the Governor's tuition restraint plan. The enacted bill includes boilerplate language (Sec. 403) to encourage tuition restraint by stating legislative intent to penalize universities in the development of the FY 2000-2001 budget if they do not restrain tuition increases to 3% or less in academic year 1999-2000.

F. LIFE SCIENCES CONSORTIUM

The Senate included national tobacco settlement revenue of \$50,000,000 to fund a Life Sciences Consortium formed by Michigan State University, the University of Michigan-Ann Arbor, Wayne State University, and the Van Andel Institute for Medical Research and Education. The funds would have been allocated evenly between basic research and peer-reviewed research projects. Pursuant to the leadership budget target agreement, the Consortium concept and the \$50,000,000 were transferred to the Strategic Fund Agency as a "Health and Aging Research and Development Initiative".

G. GRANTS AND FINANCIAL AID

The Governor and the House recommended 2.5% increases for each of the State-funded financial aid programs as well as the Focus:HOPE Center for Advanced Technologies (CAT). The Senate provided 3.3% increases for each of the State financial aid programs, funded CAT at a total level of \$5,000,000, and added \$300,000 in Federal funds available for the Robert Byrd Honors Scholarship Program. The Senate also retained the \$1,600,000 added by the Governor and the House to the General Degree Reimbursement Program for tuition restraint incentive grants but did not impose any contingencies on the funds (see item E. above). The enacted bill adopts the Senate recommendations, except that funding for Focus:HOPE's CAT was transferred to the Department of Career Development pursuant to the leadership budget target agreement.

H. TUITION INCENTIVE PROGRAM (TIP)

The Governor, House, and Senate recommended an increase of \$3,500,000 for TIP and proposed to fund the entire \$5,250,000 FY 1999-2000 cost of the program from the new Michigan Merit Award Trust Fund (see next item). Language was also included (Sec.310(14)) to appropriate State GF/GP dollars for TIP if Michigan Merit Award Trust Fund resources are not available.

I. MICHIGAN MERIT AWARD SCHOLARSHIP PROGRAM

The Governor, House, and Senate recommended the creation of a merit-based scholarship program to be implemented with the high school graduating class of 2000. Enabling legislation for the program (Public Act 94 of 1999) was signed by the Governor on June 30, 1999. There will

be three types of scholarships: a) \$2,500 grants for graduating high school students who have received qualifying results in the four math, reading, science, and writing components of the Michigan Education Assessment Program (MEAP), or have taken the MEAP and received an outstanding score on a nationally recognized college admission exam, or have taken the MEAP and received a qualifying score on a nationally recognized job skills assessment test; b) \$1,000 grants for qualified graduating seniors who attend an out-of-state college; and c) grants ranging from \$250 to \$500 for middle school students who achieve qualifying scores on the four 7th and 8th grade MEAP test components.

The scholarship funds can be used for eligible costs related to postsecondary education at approved postsecondary educational institutions.

The Michigan Merit Award Scholarships will be funded from the Michigan Merit Award Trust Fund, which was established to receive some of the revenues awarded to Michigan from the national tobacco settlement. The enabling legislation also creates a Michigan Merit Award Trust Fund Board within the Department of Treasury to administer the program.

The Governor and House included in the Higher Education boilerplate (Sec. 313), language that appropriated from the Michigan Merit Award Trust Fund "a sum sufficient to fund the Michigan Merit Award Program". The Senate bill appropriated \$86,300,000 for the awards, based on Senate Fiscal Agency estimates of 34,530 qualified students for FY 1999-2000. The enacted Higher Education budget bill concurs with the Senate recommendation.

J. BOILERPLATE

Among the boilerplate changes included in the FY 1999-2000 Higher Education appropriations act are the following:

1. **Need-Based Financial Aid.** Universities are asked to increase need-based undergraduate resident student aid by at least the percentage increase in tuition and fees. (Sec. 210)
2. **Tuition Incentive Program.** Focus:HOPE is added as eligible for TIP; and State General Fund/General Purpose dollars are appropriated for TIP if Michigan Merit Award Trust Fund dollars are not available. (Sec. 310)
3. **Michigan Merit Award Scholarship Program.** A progress report is required by February 15, 2000; and consideration of the merit award when determining eligibility for other State financial aid is prohibited. (Sec. 313)
4. **Tuition Restraint.** Universities are informed that if they increase academic year 1999-2000 tuition and fees by more than 3%, then they will be penalized by a 1.5% reduction in the development of the FY 2000-01 Higher Education budget. (Sec. 403)
5. **University Groupings.** Five separate university groupings are recognized with specific per fiscal-year-equated student (FYES) funding floors, as follows:
 - a. Floor of \$4,500 per FYES: Grand Valley, Lake Superior, Northern, Saginaw Valley, and University of Michigan-Flint;
 - b. Floor of \$4,600 per FYES: Central, Eastern, and Ferris;
 - c. Floor of \$4,700 per FYES: Oakland and University of Michigan-Dearborn;

- d. Floor of \$5,700 per FYES: Michigan Tech and Western;
 - e. Floor of \$9,000 per FYES: Michigan State, University of Michigan-Ann Arbor, and Wayne State.
6. **Athletic Personnel Contracts.** Legislative intent to reduce university appropriations by any amount spent to fulfill a contract before the end of its term was deleted. (former Sec. 417)
7. **Charter School Audits.** Requirement for universities that authorize charter schools to provide information requested by the Auditor General during an audit and to have funds withheld if they do not, was deleted. (former Sec. 422)
8. **Geographic Areas.** The Presidents Council is required to report on appropriate guidelines for expansion of academic programs into areas outside a university's immediate region. (Sec. 427)
9. **King-Chavez-Parks Initiative.** (Secs. 501-507)
- a. Base increase of 3.3% is provided for College Day, Future Faculty, and Visiting Professors;
 - b. References to "full-time" and "in this state" are deleted from the Future Faculty Program;
 - c. Approved teacher education institutions are encouraged to coordinate Student Support Services Program funding with Morris Hood, Jr. Educator Development Program funding.
10. **Resident Student Enrollment.** Responsibility for the University of Michigan-Ann Arbor to achieve a resident undergraduate enrollment level of 70% was deleted. (former Sec. 706)
11. **Campus Security Act.** Universities are required to send Federal Campus Security Act reports to the Michigan Department of Education, and to make the reports available on their Internet websites. (Sec. 709)
12. **Higher Education Reports.** Reports required under the Higher Education appropriations act are required to be placed on the Internet under a pilot program, with electronic notification to legislative offices. (Sec. 710)

VETOES

The Governor vetoed \$150,000 appropriated to the Agricultural Experiment Station for a Michigan-Latvian economic development project.

Table 1: Public Act 93 of 1999

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	FY 1998-99 Approp. Per Student*	FY 1998-99 Enacted P.A. 271 of 1998	Univer: Across Board Inc: 3.3%; Financial Aid: 3.3%	Add King- Chavez- Parks Visiting Profs to Base	Other Program Changes	FY 1999-2000 Enrolled H.B. 4302	Gov's FY 1999-2000 Vetoed	FY 1999-2000 Enacted PA 93 of 1999	\$ Change from FY 1998-99	% Change from FY 1998-99	FY 1999-2000 Approp. Per Student*	FY 1998-99 PA 69 of 1999 Infrastruc., Tech., Equip., Main.
UNIVERSITIES												
Central	4,180	74,118,888	2,445,923	11,461	3,902,040	80,478,312		80,478,312	6,359,424	8.6%	4,538	1,484,600
Eastern	4,458	78,301,544	2,583,951	11,461	1,006,111	81,903,067		81,903,067	3,601,523	4.6%	4,663	1,568,400
Ferris	6,118	49,950,570	1,648,369	11,461	500,000	52,110,400		52,110,400	2,159,830	4.3%	6,383	1,000,500
Grand Valley	3,977	49,451,256	1,631,891	11,461	2,620,951	53,715,559		53,715,559	4,264,303	8.6%	4,320	990,500
Lake Superior	4,614	12,822,671	423,148	11,461	135,000	13,392,280		13,392,280	569,609	4.4%	4,819	256,800
Michigan State	7,570	286,848,987	9,466,017	11,461	7,500,000	303,826,465		303,826,465	16,977,478	5.9%	8,018	5,745,800
Michigan Tech	8,280	49,019,667	1,617,649	11,461	1,200,000	51,848,777		51,848,777	2,829,110	5.8%	8,758	981,900
Northern	7,164	47,247,801	1,559,177	11,461	0	48,818,439		48,818,439	1,570,638	3.3%	7,402	946,400
Oakland	4,175	43,458,336	1,434,125	11,461	2,308,776	47,212,698		47,212,698	3,754,362	8.6%	4,536	870,500
Saginaw Valley	4,300	23,076,264	761,517	11,461	1,106,070	24,955,312		24,955,312	1,879,048	8.1%	4,651	462,200
UM-Ann Arbor	9,042	323,484,780	10,674,998	11,461	4,690,000	338,861,239		338,861,239	15,376,459	4.8%	9,472	6,479,600
UM-Dearborn	4,357	23,729,786	783,083	11,461	1,252,862	25,777,192		25,777,192	2,047,406	8.6%	4,733	475,300
UM-Flint	4,329	20,642,696	681,209	11,461	840,143	22,175,509		22,175,509	1,532,813	7.4%	4,651	413,500
Wayne State	10,128	229,675,955	7,579,307	11,461	800,000	238,066,723		238,066,723	8,390,768	3.7%	10,498	4,600,500
Western	5,377	111,003,267	3,663,108	11,462	1,840,000	116,517,837		116,517,837	5,514,570	5.0%	5,644	2,223,500
Ag Experiment Station		30,268,300	998,854		380,000	31,647,154	(150,000)	31,497,154	1,228,854	4.1%		
Cooperative Extension Service		26,033,458	859,104		200,000	27,092,562		27,092,562	1,059,104	4.1%		
Michigan Molecular Institute		70,000	2,310		150,000	222,310		222,310	152,310	217.6%		
Japan Center		359,351	11,859		26,000	397,210		397,210	37,859	10.5%		
Higher Education Database		165,000	0		110,000	275,000		275,000	110,000	66.7%		
Midwest Higher Ed Compact		58,000	0		17,000	75,000		75,000	17,000	29.3%		
King-Chavez-Parks		2,883,641	95,160	(171,916)		2,806,885		2,806,885	(76,756)	-2.7%		
TOTAL-UNIVERSITIES	6,644	1,482,670,218	48,920,759	0	30,584,953	1,562,175,930	(150,000)	1,562,025,930	79,355,712	5.4%	7,002	28,500,000
GRANTS & FINANCIAL AID												
Competitive Scholarships		32,405,046	993,467			33,398,513		33,398,513	993,467	3.1%		
Tuition Grants		59,121,069	1,950,995			61,072,064		61,072,064	1,950,995	3.3%		
Work Study		7,300,472	240,916			7,541,388		7,541,388	240,916	3.3%		
Part-time Independent		2,643,953	87,250			2,731,203		2,731,203	87,250	3.3%		
Dental Degree		4,601,400	151,846			4,753,246		4,753,246	151,846	3.3%		
General Degree		5,287,427	174,485		1,600,000	7,061,912		7,061,912	1,774,485	33.6%		1,400,000
Allied Health Degree		851,618	28,103			879,721		879,721	28,103	3.3%		
Ed. Opportunity Grants (MEOG)		2,076,797	68,534			2,145,331		2,145,331	68,534	3.3%		
Byrd Scholarship Program		1,300,000	0		300,000	1,600,000		1,600,000	300,000	23.1%		
Center for Advanced Tech (CAT)		4,092,000	0		(4,092,000)	0		0	(4,092,000)	-100.0%		
Michigan Merit Award Program		0	0		86,300,000	86,300,000		86,300,000	86,300,000	0.0%		
Tuition Incentive Program (TIP)		1,750,000	0		3,500,000	5,250,000		5,250,000	3,500,000	200.0%		
TOTAL-FINANCIAL AID		121,429,782	3,695,596	0	87,608,000	212,733,378	0	212,733,378	91,303,596	75.2%		1,400,000
Federal		3,600,000	0	0	300,000	3,900,000	0	3,900,000	300,000	8.3%		0
Michigan Merit Trust Fund		0			91,550,000	91,550,000	0	91,550,000	91,550,000	0.0%		0
State GF/GP		117,829,782	3,695,596	0	(4,242,000)	117,283,378	0	117,283,378	(546,404)	-0.5%		1,400,000
TOTAL-HIGHER ED		1,604,100,000	52,616,355	0	118,192,953	1,774,909,308	(150,000)	1,774,759,308	170,659,308	10.6%		29,900,000
TOTAL FEDERAL		3,600,000	0	0	300,000	3,900,000	0	3,900,000	300,000	8.3%		0
TOTAL MERIT TRUST FUND		0	0	0	91,550,000	91,550,000	0	91,550,000	91,550,000	0.0%		0
TOTAL STATE GF/GP		1,600,500,000	52,616,355	0	26,342,953	1,679,459,308	(150,000)	1,679,309,308	78,809,308	4.9%		29,900,000
*FY 1997-98 Fiscal-Year-Equated Students												

**JUDICIARY
P.A. 126 of 1999**

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	602.0	583.0	583.0	(19.0)	(3.2)
GROSS.....	221,188,200	226,140,800	226,622,000	5,433,800	2.5
Less:					
Interdepartmental					
Grants Received.....	3,571,400	2,304,200	2,287,400	(1,284,000)	(36.0)
ADJUSTED GROSS.....	217,616,800	223,836,600	224,334,600	6,717,800	3.1
Less:					
Federal Funds.....	1,294,500	3,124,600	3,077,800	1,783,300	137.8
Local and Private.....	3,164,100	4,150,100	4,199,000	1,034,900	32.7
TOTAL STATE SPENDING.....	213,158,200	216,561,900	217,057,800	3,899,600	1.8
Less:					
Other State					
Restricted Funds.....	56,058,900	56,070,700	56,074,900	16,000	0.0
GENERAL FUND/GENERAL PURPOSE.....	157,099,300	160,491,200	160,982,900	3,883,600	2.5
PAYMENTS TO LOCALS.....	113,407,500	112,984,700	112,984,700	(422,800)	(0.4)

ISSUES

A. FY 1998-99 SUPPLEMENTAL APPROPRIATIONS

1. Public Act 69 of 1999

This supplemental contains \$2,438,100 for FY 1998-99 costs related to determinations of the State Officers Compensation Commission and \$2,317,700 for estimated State costs related to judges' defined contribution retirement.

2. Public Act 137 of 1999

This FY 1998-99 supplemental contains a \$1,000,000 appropriation for drug courts. Section 575 provides that the funds shall be administered by the State Court Administrative Office to implement new drug court programs or for existing drug court programs if Federal funds are no longer available.

B. COMMUNITY DISPUTE RESOLUTION PROGRAM

The Community Dispute Resolution Program was created by Public Act 260 of 1988. The Program is funded by a \$2 share of each filing fee collected in circuit, district, and probate court. Community-based dispute resolution centers provide conciliation, mediation, and other methods of dispute resolution to individuals as an alternative to the judicial process. Participation in the dispute resolution process is voluntary and a court may refer parties in a civil action to a community dispute resolution center.

There are 25 Community Dispute Resolution Centers that provide service throughout the State. The centers are nonprofit volunteer-based organizations. While projected court filing fee revenue will generate approximately \$976,511 in FY 1998-99, centers are limited to a pro rata share of available grant funds generated by court filing fees imposed in counties serviced by the centers. A 1996 study for the State Court Administrative Office suggested that a budget of 1.5 FTE positions and \$64,500 is necessary to provide for a "viable" program. Twenty centers currently receive less than \$64,500 in State funds. Eight centers receive less than \$10,000.

Due to concerns over sufficient funding for Community Dispute Resolution Centers, the Senate appropriated \$400,000 State General Fund to supplement funding to centers that receive less than \$64,500 from court generated revenue. The House increased State General Fund support to \$500,000 and based the proposed distribution on a minimum funding level with the balance to be distributed based on performance criteria to all centers. Due to Leadership Targets, the Conference Committee reduced the State General Fund appropriation to \$72,000, with the intent of providing a minimum level of \$15,000 to each center.

C. COURT OF APPEALS - DELAY REDUCTION

Public Act 189 of 1993 provided for a \$2,000,000 annual allocation from the State Court Fund to the Court of Appeals for four fiscal years (FY 1993-94 through FY 1996-97). The Act stated that the purpose of the four-year allocation was to “alleviate the backlog” in the Court of Appeals. Nevertheless, the separate line item appropriation to the Court of Appeals for backlog reduction was continued in FY 1997-98 and FY 1998-99 at a reduced level of \$1,500,000 funded from the State General Fund. The line item designation was changed from “backlog” reduction to “delay” reduction. Due to reduced filings in the Court of Appeals, the Court was able to direct more resources toward reducing the age of its pending caseload. Based on progress made by the Court of Appeals in reaching its goal, the budget reduces the 22.0 FTE/\$1,500,000 FY 1998-99 line item appropriation by 10.0 FTEs and \$550,000.

D. TRIAL COURT FUNDING

The budget transfers \$4,000,000 from the Hold Harmless Fund to the Court Equity Fund pursuant to Public Act 374 of 1996. This will reduce funding in the Hold Harmless Fund to \$8,000,000.

E. JUDGES’ DEFINED CONTRIBUTION RETIREMENT

The FY 1998-99 enacted budget did not include funding for State costs related to judges’ defined contribution retirement due to a pending IRS ruling and a Federal injunction in *Michigan Judges Association v Treasurer of the State of Michigan*. The FY 1998-99 supplemental (Public Act 69 of 1999) appropriated \$2,317,700 based on pending resolution of legal issues and the estimated number of judges who will be under the defined contribution retirement system. The FY 1999-2000 budget reduces the appropriation for State costs by \$112,800, to \$2,204,900.

F. STATE OFFICERS COMPENSATION COMMISSION

Determinations made by the State Officers Compensation Commission (SOCC) in December 1998 increased the salaries of Supreme Court Justices by 8.0% in 1999 and 4.5% in 2000. Salaries for other judges are statutorily set at the following percentages of a Supreme Court Justice’s salary:

Court of Appeals Judge	92%
Circuit Court Judge	85%
Probate Court Judge	85%
District Court Judge	84%

The budget includes \$3,258,000 to cover FY 1999-2000 costs associated with SOCC determinations.

G. CHILD ABUSE AND NEGLECT CASE PROCESSING

The budget includes \$146,000 (\$10,500 Federal, \$135,500 GF/GP) for improving the processing of child abuse and neglect cases. The amount adjusts for actual Federal/State match requirements.

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H. ALTERNATIVE DISPUTE RESOLUTION TRAINING

The budget includes \$72,900 to provide training to judges and court personnel regarding alternative methods for resolving disputes.

I. SUPREME COURT IMPROVEMENTS

The budget includes \$234,200 to support 2.0 FTE positions that were added by the Chief Justice in January 1999.

J. DIRECT TRIAL COURT AUTOMATION SUPPORT

The budget includes an increase of 6.0 FTEs/\$487,500 for trial court automation support. The increase is funded from local user charges. The FY 1998-99 appropriation included 24.0 FTEs/\$1,946,500.

K. FEE INCREASES

The budget includes \$150,000 based on a proposed increase in law exam fees (from \$175 to \$325). This brings total projected revenue from law exam fees to \$477,200. Legislation is required to implement the fee increase.

L. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries	\$845,400	\$777,900
Insurance	571,400	518,300
Retirement	281,900	255,500
Motor Transport	21,100	21,100
Rent/Building Occupancy Charges	528,000	528,000
Workers' Compensation	300	300
Postage	6,000	6,000
Total	\$2,254,100	\$2,107,100

M. OTHER CHANGES

Other changes include \$348,300 GF/GP for actual Social Security costs, a funding shift of \$318,400 from Court Fee Fund revenue to GF/GP, an \$80,000 interdepartmental grant increase for the State Appellate Defender Office (SADO), a new funding source of \$70,000 from interest on lawyer trust accounts for SADO, a \$100,000 Restricted increase for the Drunk Driving Caseload Program, \$196,800 in additional Federal funding, \$414,800 in Private revenue increases, \$92,000 from the Justice Training Fund, \$120,000 from the Department of Career Development, a reduction of \$1,000,000 related to the FY 1998-99 supplemental for drug courts, and reclassification of certain interdepartmental grants to direct Federal appropriations.

VETOES

APPELLATE PUBLIC DEFENDER PROGRAM

The Governor's recommendation included a 15.0 FTE/\$1,000,000 reduction to the Appellate Public Defender Program line item. The State Appellate Defender Office was established in 1969 by the Michigan Supreme Court. Public Act 620 of 1978 provided statutory authorization for SADO. The Act created a seven-member Appellate Defender Commission to be responsible for the development of a system of indigent appellate defense services provided by SADO and locally appointed private counsel. Regarding the number of cases assigned to SADO, Section 6(c) of the Act provides that SADO will:

(c) Accept only that number of assignments and maintain a caseload which will insure quality criminal defense appellate services consistent with the funds appropriated by the state. However, the number of cases assigned to the appellate defender office shall not be less than 25% of the total criminal defense appellate cases for indigents pending before the appellate courts of this state. (emphasis added)

Due to the number of cases, case complexity, and budget limitations, SADO has not met the 25% statutory goal over the last 13 years. However, SADO has historically handled a higher percentage of complex cases than what would normally result from the ordinary rotation of assignments between SADO and the private bar. Supreme Court Administrative Order 1989-3 allows SADO to be assigned to cases out of sequence when the complexity or economic hardship the appeal would cause a county makes the selection of private counsel impractical. Based on 1998 data from the Michigan Appellate Assigned Counsel System, while SADO handled 23.8% of total appellate assignments, SADO was assigned 35.3% of complex (Level 3) cases. The Senate restored the \$1,000,000 eliminated by the Governor; however, \$500,000 of the restoration was appropriated in a separate line item for SADO. The House restored \$750,000 in the SADO line item and also provided for a new \$500,000 reimbursement program to counties for indigent appellate services. The Conference Committee concurred with the Governor on the reduction to the SADO line item, and restored \$508,300 in a separate line item. The new reimbursement program added by the House was not included by the Conference Committee. The Governor vetoed the \$508,300 separate line item appropriation.

**LEGISLATIVE AUDITOR GENERAL
P.A. 124 of 1999**

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	N/A	N/A	N/A	N/A	N/A
GROSS.....	13,804,300	14,321,900	14,343,400	539,100	3.9
Less:					
Interdepartmental					
Grants Received.....	1,527,100	1,527,100	1,527,100	0	0.0
ADJUSTED GROSS.....	12,277,200	12,794,800	12,816,300	539,100	4.4
Less:					
Federal Funds.....	0	0	0	0	0.0
Local and Private.....	0	0	0	0	0.0
TOTAL STATE SPENDING.....	12,277,200	12,794,800	12,816,300	539,100	4.4
Less:					
Other State					
Restricted Funds.....	293,800	293,800	293,800	0	0.0
GENERAL FUND/GENERAL PURPOSE.....	11,983,400	12,501,000	12,522,500	539,100	4.5
PAYMENTS TO LOCALS.....	0	0	0	0	0.0

ISSUES

A. UNCLASSIFIED SALARIES

1. The Governor's recommendation did not include an increase for the separate line item that funds the salary of the Auditor General. The Legislature increased the salary by \$12,000 (11.3%), from \$106,000 to \$118,000.
2. The Governor recommended a 3% increase for the line item that funds 2.0 FTE unclassified positions. The Legislature provided an increase of \$13,000 (11.3%), from \$115,200 to \$128,200.

B. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, retirement, insurance, and motor transport consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries	\$283,200	\$283,200
Insurance	144,700	144,700
Retirement	84,400	84,400
Motor Transport	1,800	1,800
Total	\$514,100	\$514,100

**LEGISLATURE
P.A. 124 of 1999**

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	N/A	N/A	N/A	N/A	N/A
GROSS.....	94,003,400	101,386,500	103,153,500	9,150,100	9.7
Less:					
Interdepartmental					
Grants Received.....	0	0	0	0	0.0
ADJUSTED GROSS.....	94,003,400	101,386,500	103,153,500	9,150,100	9.7
Less:					
Federal Funds.....	0	0	0	0	0.0
Local and Private.....	400,000	400,000	400,000	0	0.0
TOTAL STATE SPENDING.....	93,603,400	100,986,500	102,753,500	9,150,100	9.8
Less:					
Other State					
Restricted Funds.....	1,041,800	1,041,800	1,041,800	0	0.0
GENERAL FUND/GENERAL PURPOSE.....	92,561,600	99,944,700	101,711,700	9,150,100	9.9
PAYMENTS TO LOCALS.....	0	0	0	0	0.0

ISSUES

A. FY 1998-99 SUPPLEMENTAL APPROPRIATIONS

1. Public Act 69 of 1999

This supplemental includes \$166,400 related to FY 1998-99 costs resulting from determinations of the State Officers Compensation Commission for legislators' salaries and expense allowances.

2. Public Act 137 of 1999

This supplemental includes \$1,000,000 for costs related to the new House/Senate Human Resource System. The system will provide an integrated network for legislative payroll, personnel, employee benefits, and data exchange with retirement systems.

B. PROPERTY MANAGEMENT

1. House Office Building

The budget includes \$5,412,500 for a new line item that will fund lease costs for the new House Office Building. The current year funding in the House Operations line item was also transferred to the property management appropriation to reflect total lease costs of \$6,500,000. The Governor recommended \$837,500 to lease furniture for the new building. That funding along with \$162,500 included in the current year base budget for the House was removed from the budget. Public Act 137 of 1999 included a \$10,000,000 capital outlay supplemental appropriation to purchase the furniture directly.

2. Roosevelt Building

The capital outlay budget includes funding to demolish the Roosevelt Building. The legislative budget therefore eliminates \$564,700 in property management costs associated with the Roosevelt Building.

3. Farnum Building

The budget increases funding for the Farnum Building by \$100,000, from \$564,700 to \$664,700.

4. Capitol Building

The budget includes an additional \$65,100, from \$1,820,000 to \$1,885,100, for property management costs of the Capitol Building. Funding originally included by the Legislature for an emergency generator (\$568,000) was transferred to the FY 1998-99 capital outlay supplemental (Public Act 137 of 1999). The funding for hand rails for the exterior steps of the Capitol was eliminated by the Conference Committee and was not included in the FY 1998-99 supplemental.

C. TRIAL COURT ASSESSMENT COMMISSION

Pursuant to statute, the Trial Court Assessment Commission was abolished effective January 1, 1999. The budget eliminates \$279,900 related to the Commission.

D. STATE OFFICERS COMPENSATION COMMISSION (SOCC)

The budget includes \$274,700 for FY 1999-2000 costs related to SOCC determinations.

E. LEGISLATIVE SERVICE BUREAU ADP

The budget includes \$326,600 for the Legislative Service Bureau ADP line item to fund current costs and additional responsibilities associated with the Legislative Session Integration System.

F. LEGISLATIVE CORRECTIONS OMBUDSMAN

The Legislature increased funding by \$238,300, from \$325,000 to \$563,300, to fund 4.0 additional staff positions. The increase is for projected caseload increases related to statutory changes that allow for direct complaints by prisoners.

G. LEGISLATIVE SESSION INTEGRATION SYSTEM (LSIS)

Based on the current status of the LSIS project, the Legislature reduced funding for the LSIS line item by \$764,000, from \$764,900 to \$900.

H. SENATE ADJUSTMENTS

The budget includes an additional \$777,200 for Senate Automated Data Processing costs, \$1,000,000 for Senate furniture, and \$559,900 for a separate economic adjustment.

I. HEALTH CARE RESERVE FUND

The Governor's recommendation reduced the amount allocated to the Health Care Reserve Fund by \$466,700 based on estimated savings related to defined contribution for legislators. The Legislature restored the funding and added \$388,900 based on estimates provided by the Legislative Retirement System.

J. NATIONAL ASSOCIATION DUES

The budget increases funding for dues to national associations by \$21,700, from \$374,400 to \$396,100, based on estimated actual costs.

K. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, retirement, insurance, and motor transport consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries	\$1,373,700	\$1,373,700
Insurance	872,200	872,200
Retirement	507,900	507,900
Motor Transport	2,500	2,500
Total	\$2,756,300	\$2,756,300

L. OTHER CHANGES

Other changes include the elimination of one-time costs included in FY 1998-99 supplementals for the House/Senate Human Resource System.

**LIBRARY OF MICHIGAN
P.A. 124 of 1999**

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	140.0	140.0	0.0	(140.0)	(100.0)
GROSS.....	37,249,100	38,190,200	38,977,400	1,728,300	4.6
Less:					
Interdepartmental					
Grants Received.....	0	0	0	0	0.0
ADJUSTED GROSS.....	37,249,100	38,190,200	38,977,400	1,728,300	4.6
Less:					
Federal Funds.....	4,109,800	4,109,800	4,557,400	447,600	10.9
Local and Private.....	75,000	75,000	75,000	0	0.0
TOTAL STATE SPENDING.....	33,064,300	34,005,400	34,345,000	1,280,700	3.9
Less:					
Other State					
Restricted Funds.....	86,900	86,900	86,900	0	0.0
GENERAL FUND/GENERAL PURPOSE.....	32,977,400	33,918,500	34,258,100	1,280,700	3.9
PAYMENTS TO LOCALS.....	21,392,200	21,521,000	21,661,000	268,800	1.3

ISSUES

A. LIBRARY AUTOMATION

The budget increases funding for automation by \$191,800 to fund legislative database programming, an auxiliary computer backup system, an additional Internet connection, and additional funding for hardware and software maintenance.

B. LIBRARY OPERATIONS

The Governor recommended an additional \$82,700 for Library Operations to cover costs of subscriptions, printing, binding, and other overhead costs. The Legislature provided an additional \$199,600 to fund 3.0 new FTE positions. They include 1.0 FTE preservationist, 1.0 FTE computer programmer, and 1.0 FTE network administrator. The Legislature eliminated the FTE designation for the Library, consistent with other legislative budgets.

C. STATEWIDE DATABASE ACCESS

The budget includes \$150,000 for additional access points related to local libraries participating in the Gates Library Foundation Grants Program. The FY 1998-99 appropriation for Statewide Database Access was \$500,000.

D. BOOK DISTRIBUTION CENTERS

The budget increases funding for two book distribution centers from \$285,000 to \$313,500. The centers are 501c(3) organizations that obtain donations of publications and distribute the materials to child care centers, shelters, literacy programs, hospitals, nursing homes, and other groups. The centers are located in Kingsford and Gregory.

E. RENAISSANCE ZONE REIMBURSEMENT

The Michigan Renaissance Zone Act (Public Act 376 of 1996) provides that public libraries shall be reimbursed for tax revenues lost due to exemption of property under the Act. The budget increases funding from \$300,000 to \$428,800.

F. STATE AID TO LIBRARIES

The Legislature increased funding for State Aid to Libraries by \$140,000, from \$14,210,700 to \$14,350,700, to fully fund estimated payments pursuant to Public Act 89 of 1977.

G. LIBRARY SERVICES AND TECHNOLOGY ACT

The Legislature increased Federal funding by \$447,600, from \$4,109,800 to \$4,557,400, pursuant to the current contract amount.

H. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, retirement, insurance, and motor transport consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries	\$150,700	\$150,700
Insurance	118,300	118,300
Retirement	46,900	46,900
Motor Transport	200	200
Michigan Library Historical Center	43,200	43,200
Total	\$359,300	\$359,300

**DEPARTMENT OF MANAGEMENT AND BUDGET
P.A. 124 of 1999**

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	945.5	944.0	944.0	(1.5)	(0.2)
GROSS.....	147,098,400	137,400,800	137,400,800	(9,697,600)	(6.6)
Less:					
Interdepartmental					
Grants Received.....	51,115,800	52,476,200	52,476,200	1,360,400	2.7
ADJUSTED GROSS.....	95,982,600	84,924,600	84,924,600	(11,058,000)	(11.5)
Less:					
Federal Funds.....	590,700	536,400	536,400	(54,300)	(9.2)
Local and Private.....	0	0	0	0	0.0
TOTAL STATE SPENDING.....	95,391,900	84,388,200	84,388,200	(11,003,700)	(11.5)
Less:					
Other State					
Restricted Funds.....	37,253,700	39,579,000	39,579,000	2,325,300	6.2
GENERAL FUND/GENERAL PURPOSE.....	58,138,200	44,809,200	44,809,200	(13,329,000)	(22.9)
PAYMENTS TO LOCALS.....	0	0	0	0	0.0

ISSUES

A. FY 1998-99 SUPPLEMENTAL APPROPRIATIONS

1. Public Act 69 of 1999

Census Preparation. The supplemental includes a \$458,200 appropriation for the Department for coordination and preparation for the 2000 census. The Department of Management and Budget serves as the liaison between the Federal government and local units of government for census preparation.

2. Public Act 137 of 1999

- a. Arts and Cultural Grants.** The supplemental includes a \$10,000,000 appropriation for arts and cultural grants. These grants will be distributed through a competitive process to arts and cultural organizations.
- b. Statewide Information Technology Assessment.** The supplemental includes a \$3,000,000 appropriation for a Statewide information technology assessment. Each department will be surveyed to identify the best way to perform services in certain areas. These services include application and software services, Local Area Network (LAN), personal computer (PC) services, and client services operations.
- c. Statewide Unclassified Salaries.** The supplemental includes \$548,800 to support unclassified positions in various executive departments and agencies for FY 1999-2000. Of the total, \$488,800 is appropriated from GF/GP funds and \$60,000 is appropriated from unspecified State restricted funds.

B. BUILDING OCCUPANCY ADJUSTMENT

The budget includes a \$38,900 gross increase in building occupancy charges. The Department of Management and Budget will close the Hosmer warehouse— a warehouse used for surplus storage. The Department will maintain the old YWCA building. The Hosmer warehouse transaction reduces the gross appropriation by \$606,000, while the YWCA occupancy charges increase the gross appropriation by \$645,000.

C. STATEWIDE COST ALLOCATION PLAN (SWCAP)

This is a mechanism by which the State identifies and allocates costs incurred for a joint purpose that benefits more than one program or function. The budget reflects \$54,300 in operating and program adjustments for the Department, including restricted fund adjustments, to reflect the most recent SWCAP adjustments.

D. STATEWIDE LAND DATABASE

The budget includes \$550,000 to complete the design and implementation of the Statewide Land Database.

E. DEPARTMENT OF TRANSPORTATION – ACT 51 COMPLIANCE

Statutory language contained in Public Act 51 of 1951, as amended, requires the phase-out of certain Michigan Transportation Fund (MTF)-supported interdepartmental grants by fiscal year 2000-01. The budget replaces the \$340,500 MTF funding in the Department of Management and Budget with General Fund support.

F. UNCLASSIFIED SALARIES

The budget includes a 3% increase for the line item that funds 6.0 unclassified positions. The recommendation increases the appropriation for the unclassified positions line from \$500,700 to \$515,700, an increase of \$15,000.

G. ECONOMIC ADJUSTMENTS

Standard economic adjustments of \$2,807,700 are applied for salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries	\$1,288,500	\$521,200
Insurance	854,400	351,400
Workers' Compensation	188,900	0
Building Occupancy	(114,100)	(127,900)
Retirement	382,900	140,400
Motor Transport	18,800	7,700
Utilities	252,900	0
Postage	9,100	3,700
Total	\$2,807,700	\$896,500

H. OTHER CHANGES

The budget makes adjustments of \$294,700 for salaries, interdepartmental grants, restricted fund sources, and other technical items.

**DEPARTMENT OF MILITARY AND VETERANS AFFAIRS
P.A. 96 of 1999**

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	1,077.0	1,042.0	1,077.0	0.0	0.0
GROSS.....	91,543,300	91,673,700	94,962,000	3,418,700	3.7
Less:					
Interdepartmental					
Grants Received.....	0	0	0	0	0.0
ADJUSTED GROSS.....	91,543,300	91,673,700	94,962,000	3,418,700	3.7
Less:					
Federal Funds.....	29,659,000	31,637,400	32,477,400	2,818,400	9.5
Local and Private.....	375,000	375,000	375,000	0	0.0
TOTAL STATE SPENDING.....	61,509,300	59,661,300	62,109,600	600,300	1.0
Less:					
Other State					
Restricted Funds.....	21,928,000	22,409,100	22,409,100	481,100	2.2
GENERAL FUND/GENERAL PURPOSE.....	39,581,300	37,252,200	39,700,500	119,200	0.3
PAYMENTS TO LOCALS.....	60,000	61,900	111,900	51,900	86.5

MILITARY AND VETERANS AFFAIRS
FY 1999-2000 Budget

ISSUES

A. FY 1998-99 SUPPLEMENTAL APPROPRIATIONS

1. Public Act 69 of 1999

This supplemental appropriated \$2,807,300 for the purpose of paying a court judgment to those members of the National Guard who were not paid a \$2 per diem while in training, as required by statute.

2. Public Act 137 of 1999

This supplemental provided 4.0 unclassified positions, 35.0 FTEs and \$470,000 to begin a new program that features a voluntary boot camp for at-risk youths. The Act also appropriated \$250,000 to assist with the construction of a National World War II memorial, and \$225,000 for the Grand Rapids Veterans Home to reflect additional Federal revenue received.

B. CHALLENGE PROGRAM

The Governor and Legislature provided funding (4.0 unclassified positions, 35.0 FTEs and \$2,800,000) for a new program that will provide a voluntary "boot camp" program for high school dropouts between the ages of 16 and 18. The program is designed for at-risk youths not in the criminal justice system to assist them in obtaining their general equivalency diploma (GED) and in developing personal discipline.

C. NATIONAL GUARD EDUCATION ASSISTANCE PROGRAM

The Legislature added a new program that will provide up to \$2,000,000 for a National Guard Educational Assistance Program. Under the program, a member of the National Guard who is in active service and who enrolls as a full- or part-time student at a public or private State college or university may be eligible to receive up to the equivalent of 50% of the total cost of tuition not to exceed \$2,000 as education assistance, in any academic year.

D. PER DIEM PAYMENTS

The Governor and the Legislature recommended the elimination of a \$2 per day payment (\$340,000 total annually) to National Guard members when in training. The Legislature provided for an appropriation line for these payments of \$100, in case legislation removing the requirement for these payments was not enacted. Since the passage of the FY 1999-2000 budget bill, legislation repealing the requirement to make the per diem payments has been enacted under P.A. 97 of 1999.

E. STATE VETERANS HOMES

The Governor and the Legislature provided revenue adjustment increases for the Grand Rapids Veterans Home (\$293,900) and a reduction adjustment for the D.J. Jacobetti Veterans Home (\$338,400).

F. VETERANS SERVICE ORGANIZATION GRANTS

The Legislature provided a \$72,700 increase to the base grant for the American Legion and a 3% increase for all grant recipients.

VETERANS SERVICE ORGANIZATIONS	FY 1998-99	FY 1999-2000	INCREASE
American Legion	\$738,800	\$835,800	\$97,000
Disabled American Veterans	670,800	690,900	20,100
Marine Corps Veterans	308,100	317,300	9,200
American Veterans of World War II and Korea	425,700	438,500	12,800
Veterans of Foreign Wars	811,500	835,800	24,300
Michigan Paralyzed Veterans of America	151,700	156,300	4,600
Purple Heart	144,700	149,000	4,300
Veterans of World War I	100	100	0
Polish Legion of American Veterans	37,800	38,900	1,100
Jewish Veterans of America	37,800	38,900	1,100
State of Michigan Council-Vietnam Veterans	146,100	150,500	4,400
Catholic War Veterans	12,100	12,500	400
TOTAL:	\$3,485,200	\$3,664,500	\$179,300

G. MICHIGAN CIVIL AIR PATROL

The Governor and the Legislature eliminated a one-time grant to the Michigan Civil Air Patrol of \$20,000.

H. COUNTY VETERANS COUNSELORS

The Legislature added \$50,000 for assisting the State's county veterans counselors to attend training meetings in the State.

I. UNCLASSIFIED SALARIES

The Governor and the Legislature included a 3% salary increase for the Department's unclassified salaries (\$17,000) and added 4.0 unclassified (\$182,100) positions that will be associated with the new challenge program (see Item B).

J. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries	\$1,095,700	\$444,200
Insurance	839,200	334,400
Retirement	296,400	124,700
Motor Transport	12,800	5,100
Medical Services	76,200	31,200
Food	32,400	24,400
Workers' Compensation	(58,700)	(58,700)
Fuel & Utilities	90,200	44,900
Building Occupancy	(218,900)	(218,900)
Total	\$2,165,300	\$731,300

K. OTHER CHANGES

The FY 1999-2000 budget also includes adjustments that include reductions that reflect special supplemental appropriations for enlisted per diem payments (\$2,807,300), a grant to the National World War II Memorial (\$250,000), and FY 1998-99 start-up funding for Challenge Program Funding (\$470,000).

DEPARTMENT OF NATURAL RESOURCES
P.A. 121 of 1999

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	2,224.5	2,227.5	2,237.5	13.0	0.6
GROSS.....	233,614,500	239,576,300	241,911,300	8,296,800	3.6
Less:					
Interdepartmental					
Grants Received.....	7,048,600	4,643,100	4,643,100	(2,405,500)	(34.1)
ADJUSTED GROSS.....	226,565,900	234,933,200	237,268,200	10,702,300	4.7
Less:					
Federal Funds.....	19,705,600	22,768,200	22,268,200	2,562,600	13.0
Local and Private.....	1,810,600	1,698,600	1,698,600	(112,000)	(6.2)
TOTAL STATE SPENDING.....	205,049,700	210,466,400	213,301,400	8,251,700	4.0
Less:					
Other State					
Restricted Funds.....	155,399,700	159,471,400	161,806,400	6,406,700	4.1
GENERAL FUND/GENERAL PURPOSE.....	49,650,000	50,995,000	51,495,000	1,845,000	3.7
PAYMENTS TO LOCALS.....	24,110,800	21,309,700	21,985,100	(2,125,700)	(8.8)

NATURAL RESOURCES
FY 1999-2000 Budget

ISSUES

A. FY 1998-99 SUPPLEMENTAL APPROPRIATIONS

1. Public Act 69 of 1999

An FY 1998-99 supplemental appropriation provides \$490,000 for the Nongame Wildlife program, and to administer Urban Tree Planting grants on behalf of Detroit Edison. The Nongame Wildlife Fund provides \$350,000 to inventory wildlife species and expand Kirtland Warbler habitat, representing a 23% increase in the Natural Resources Heritage program. The tree planting grants are privately funded, as is \$140,000 in administration costs, and represent a 16% increase in the Private Forest Development program.

2. Public Act 111 of 1999

An FY 1998-99 Clean Michigan Initiative supplemental appropriation was passed to provide \$150,000 for administrative costs related to the Local Recreation Grants and State Park Capital Outlay programs.

3. Public Act 137 of 1999

An FY 1998-99 supplemental appropriation provides \$183,000 for river weir repair on the Little Manistee River.

B. INFORMATION AND EDUCATION

The FY 1999-2000 budget includes a \$150,000 (8.7%) increase in the Information and Education program for continued development of the "Buck Wilder" curriculum focusing on youth conservation and education. This character is part of an overall program focusing on Michigan's outdoor recreation opportunities for youth. Funding is from the Game and Fish Protection Fund. A report on the program, provided by an objective third party, is required by April 1, 2000.

C. LAW ENFORCEMENT

The FY 1999-2000 budget includes \$1,500,000 from the Game and Fish Protection Fund to purchase in-car computers for Conservation Officers. This increase is partially offset by a \$600,000 reduction from an FY 1998-99 investment for portable radios, and represents a net overall 3.8% increase in the General Law Enforcement appropriation.

The Governor proposed a \$400,000 (13%) reduction in marine safety grants to local units of government for personal watercraft law enforcement. These funds were restored by the Senate and the House. The Governor also eliminated an \$18,600 GF/GP grant to the City of Center Line for its law enforcement shooting range. This grant was also restored by the Senate and House, and increased to \$25,400 GF/GP.

The Governor proposed a \$537,000 (270%) increase in snowmobile law enforcement grants to comply with P.A. 297 of 1998. The House provided an additional \$400,000 for a total increase of \$937,000 (457%), with boilerplate language directing that 100% of the funds be used for grants to county law enforcement agencies in counties with State snowmobile trails.

The Senate added, and the House deleted, a new \$10,000 Game and Fish Protection Fund program to provide rewards for information leading to the arrest and conviction of persons who murder licensed hunters in the act of legally hunting. The Conference Committee included these funds and boilerplate language describing their expenditure.

The Conference Committee also added \$1,000,000 in Game and Fish Protection Fund money to provide for 10 additional conservation officers, representing a 4.3% increase in funding for law enforcement.

D. INFORMATION TECHNOLOGY

The FY 1999-2000 appropriation provides \$6,618,100 for the Office of Information Service and Technology (OIST). This is a \$6,316,900 (49%) reduction from FY 1998-99. The FY 1998-99 year-to-date OIST budget is \$12,935,000, which includes \$1,400,000 in contingency fund transfers and \$3,535,300 in intra-agency transfers that are not continued in FY 1999- 2000. Intra-agency transfers were made from the following divisions in FY 1998-99, and these funds have been returned to them in FY 1999-2000:

Administrative Services	\$150,000
Wildlife Management	843,700
Fisheries Management	134,500
Forest Resource Development	314,000
State Parks	1,958,400
Real Estate	114,700
Law Enforcement	19,300
Total	\$3,535,300

E. COOPERATIVE RESOURCE PROGRAM

A new \$1,250,000 grant program was added to the FY 1999-2000 budget for private forest activities, a 145% increase in Department appropriations for this purpose. This program will provide grants to develop public/private partnerships with soil conservation districts to expand technical assistance and guidance to private landowners. Program goals include land management, environmental stewardship, economic enhancement, and creation of wildlife corridors and green space. Funding is from \$840,000 in Game and Fish Protection Fund money and \$400,000 in Forest Resource Revenues from timber sales on State-owned land.

F. FOREST INVENTORY PROGRAM

The FY 1999-2000 budget includes a \$2,335,000 (80%) increase in the Forest Resource Planning and Land use program. These funds will be used to develop an inventory of the State's forest land. This inventory is a joint effort with the U.S. Forest Service and will allow better management of lands for timber harvest, insect, disease, and wildfire prevention, and assistance with road planning. Funds are from Forest Resource Revenues.

G. FOREST FIRE EQUIPMENT

The FY 1999-2000 budget includes a \$1,200,000 (240%) increase in Forest Resource Revenues to replace forest fire equipment and enhance fire suppression capacity. The Legislature added language directing that \$100,000 in the Forest Management Division budget be allocated to provide three standby locations for wildfire prevention aircraft.

H. LAND MANAGEMENT

1. Cleanup and Maintenance of Tax-Reverted Property

The Governor proposed elimination of a \$1,000,000 GF/GP program to clean up and maintain State-owned tax-reverted property. The Senate concurred with the Governor, and the House restored the program to FY 1998-99 levels. The Conference Committee provided partial funding for the program at \$250,000.

2. Abandoned Mine Shaft Closures

The Governor proposed a \$250,000 (71%) reduction in the program to inventory and close abandoned mine shafts, most of which are located on State-owned property. The Conference Committee restored funding at the FY 1998-99 level of \$350,000. The House. The House added boilerplate language eliminating the "inventory" of mine shafts, and directing the funds to be used for restricting access or closing the mine shafts.

3. Real Estate

The FY 1998-99 budget included a \$300,000 transfer for real estate land acquisition activities that was not continued in the FY 1999-2000 budget. This represents a 1/2% reduction in the line item. The FY 1998-99 budget also included a \$1,320,000 transfer to fund contractual oil and gas audits and convert the real estate data base system. This was also discontinued in the FY 1999-2000 appropriation bill. Consequently, the appropriation is reduced 94% from current year levels.

I. WILDLIFE MANAGEMENT

The Governor proposed elimination of an \$85,000 study on transmission of swimmer's itch by waterfowl. The Senate and House restored funding, and the Conference Committee agreed that it was the second year of a five-year study.

J. FEDERAL GRANTS TO COUNTIES

The FY 1999-2000 budget includes \$2,800,000 in Federal pass-through grants for local roads and schools in counties where timber is sold on Federal lands.

K. CLEAN MICHIGAN INITIATIVE

The FY 1999-2000 budget includes a \$250,000 appropriation for 3.0 FTEs to administer local recreation grants and State Park improvements from the \$100,000,000 in Clean Michigan Initiative bond program. This represents a net increase from FY 1998-99 appropriations of \$150,000.

L. REVENUE ADJUSTMENTS

The FY 1999-2000 budget includes the following program adjustments:

Stream Habitat Improvement	\$27,600	Game & Fish Protection Fund
State Parks	400,700	CPI increase as required by law
Land Acquisition and Exchange Program	600,000	Land Sale Revenue
Property Taxes	<u>319,000</u>	4% increase
NET TOTAL	\$1,347,300	

The FY 1999-2000 budget also eliminates an interdepartmental grant from the Michigan Jobs Commission to the Michigan Conservation Corps, and replaces it with \$1,000,000 GF/GP.

M. PROGRAM REDUCTIONS OR ELIMINATIONS

The Governor recommended and the Legislature concurred in the following program reductions and/or eliminations.

Fisheries Resource Management	(\$150,000)	FY 1998-99 Contingency Fund Transfer
Snowmobile Local Grants	(500,000)	FY 1998-99 Contingency Fund Transfer
Recreation Boating	(125,000)	FY 1998-99 Contingency Fund Transfer
St. Mary's Little Rapids Restoration	(250,000)	One-Time Project
In-Place River Hatchery-Au Sable	(62,300)	One-Time Project
Public Access Sites	(15,000)	Project Elimination
Lake Sewer Projects	(150,000)	One-Time Project
Statewide Land Database	(231,500)	Revenue Adjustment
Community Recreation Grants	(1,350,000)	One-Time Project
Federal Oil & Gas Payments-DCH	(750,000)	Accounting Adjustment
TOTAL	<u>(\$3,583,800)</u>	

In addition, the Conference Committee reduced the Internal Audit line by \$90,000 or 11%, to meet General Fund target levels.

N. UNCLASSIFIED SALARIES

The FY 1999-2000 budget includes an \$11,800 (3.0%) increase in the unclassified salaries line item.

O. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salary/Wages	\$2,721,400	\$508,400
Insurance	1,752,600	327,400
Retirement	781,000	147,500
Motor Transport	295,500	43,400
Rent/Other	241,300	125,300
Total	\$5,791,900	\$1,152,000

**SCHOOL AID
P.A. 119 of 1999**

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 YEAR-TO-DATE	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	N/A	N/A	N/A	N/A	N/A
GROSS.....	9,615,075,400	10,059,102,500	10,160,831,200	545,755,800	5.7
Less:					
Interdepartmental					
Grants Received.....	0	0	0	0	0.0
ADJUSTED GROSS.....	9,615,075,400	10,059,102,500	10,160,831,200	545,755,800	5.7
Less:					
Federal Funds.....	120,000,000	120,000,000	120,000,000	0	0.0
Local and Private.....	0	0	0	0	0.0
TOTAL STATE SPENDING.....	9,495,075,400	9,939,102,500	10,040,831,200	545,755,800	5.7
Less:					
Other State					
Restricted Funds.....	9,074,461,900	9,518,489,000	9,620,217,700	545,755,800	6.0
GENERAL FUND/GENERAL PURPOSE.....	420,613,500	420,613,500	420,613,500	0	0.0
PAYMENTS TO LOCALS.....	9,489,325,400	9,902,815,300	10,004,544,000	515,218,600	5.4

SCHOOL AID
FY 1999-2000 Budget

INTRODUCTION

This section describes School Aid budget actions for FY 1999-2000 and FY 2000-01. The initial budget Act for FY 1999-2000 was Public Act (P.A.) 339 of 1998, which provided supplemental appropriations for FY 1998-99 and established the initial appropriations for FY 1999-2000. The FY 1998-99 and FY 1999-2000 budgets were then supplemented by P.A. 553 of 1998; however, the supplemental appropriations made in this Act were simply to ensure that the payments to school districts in both years would be fully funded. No policy changes were enacted in P.A. 553 of 1998. Due to anticipated changes in the personal property tax depreciation tables and increases in pupil estimates, foundation allowance payments in both FY 1998-99 and FY 1999-2000 became underfunded and thus the need arose for another supplemental appropriation bill. Also, due to a projected lapse in School Aid appropriations, additional dollars became available for expenditure in FY 1999-2000. Therefore, supplemental appropriation legislation, P.A. 119 of 1999, was enacted to appropriate additional revenues in FY 1998-99 and FY 1999-2000 and provide the first appropriations for FY 2000-01.

FY 1999-2000 SCHOOL AID BUDGET ISSUES: P.A. 339 OF 1998 AND P.A. 119 OF 1999

ISSUES

A. MEMBERSHIP BLEND

Districts are paid a foundation allowance for each pupil in membership. Currently, membership is calculated with a 60% weight on the number of full-time equated (FTE) pupils counted in the fall of the current year plus a 40% weight on the number of FTE pupils counted in the winter of the previous year. For FY 1999-2000, this blending will change to a 75% weight on the number of FTE pupils in the fall plus a 25% weight on the number of FTE pupils in the previous winter.

B. FOUNDATION ALLOWANCE

The basic foundation allowance for FY 1999-2000 was established in P.A. 339 of 1998 at \$5,652 per pupil, an increase of \$190 per pupil over the FY 1998-99 basic foundation allowance. The basic foundation allowance was increased by an additional \$44 per pupil in P.A. 119 of 1999 to \$5,696 per pupil for a total increase of \$234 or 4.2% above the FY 1998-99 level. The minimum foundation allowance for FY 1999-2000 will be \$5,638 per pupil, only \$58 shy of the basic foundation allowance. The appropriation will increase by \$201,946,600 to \$8,516,932,000. Of the increase, \$38,300,000 is needed for the adjustment due to the anticipated changes in the personal property tax tables. The remainder of the increased appropriation will fund the higher foundation allowance, the change to a 25%-75% blended membership count, and the increase in the pupil estimates over prior estimates.

C. HOLD HARMLESS SCHOOL DISTRICT PAYMENTS

For FY 1999-2000 there is appropriated \$16,000,000 to ensure that hold harmless school districts receive a per pupil increase equal to the increase in the basic foundation allowance (\$234 in FY 1999-2000). A hold harmless district is one whose foundation allowance is not more than \$1,500 above the basic, where the State portion of the district's foundation allowance is equivalent to the allowance minus the per pupil revenue generated by levying 18 mills on non-homestead property. Current statute does not allow hold harmless districts to receive a per pupil increase greater than the rate of inflation. The 4.2% increase in FY 1999-2000 is greater than the prior year rate of inflation of 1.6%; therefore, this special payment will make up the difference between the district's foundation allowance payments (capped at the rate of inflation) and the actual increase in the basic foundation allowance (\$234 per pupil).

D. AT-RISK PROGRAM

The At-Risk program funding increases by an additional \$1,820,000 to \$270,920,000 over the initial appropriation in P.A. 339 of 1998 for FY 1999-2000. The increase reflects the additional \$44 per pupil increase in the basic foundation allowance above the originally enacted amount.

E. SCHOOL LUNCH PROGRAMS

There is appropriated \$13,227,500 for FY 1999-2000 to make payments to school districts to fund fully the required percentages for school lunch programs as required in the *Durant* case. Although the State has been making payments for school lunch programs, it was determined that additional dollars were needed to comply with the Michigan Supreme Court's orders.

F. READING RECOVERY PILOT PROJECT

A new pilot program is created for FY 1999-2000 to award \$5,000,000 in competitive grants to school districts in order to provide pilot Early Reading Intervention programs. Of the \$5,000,000, at least \$250,000 must be distributed as pilot grants to school districts to initiate Reading Recovery programs.

G. ONE-TIME PAYMENT TO DETROIT PUBLIC SCHOOLS

There is appropriated \$15,000,000 to the Detroit Public Schools for FY 1999-2000 only. The district is encouraged to use the funds to improve student performance, enhance security, and expand reading readiness programs, although the district is not limited to using the funds only for these purposes.

H. SPECIAL EDUCATION

The FY 1999-2000 appropriation is reduced by \$28,957,000 to reflect the use of updated data rather than the previous estimates of special education costs upon which the original FY 1999-2000 appropriation was based. Newer cost data estimates are lower than the original estimated increase in special education costs. Since projections of future costs of special education and special education transportation are based off of old data, the use of revised lower cost data as a base results in savings over several years. The requirements under the *Durant* settlement are

maintained and no programmatic changes were recommended. Funding in this section continues hold harmless payments and other special education categorical programs.

I. MATH AND SCIENCE CENTERS

The FY 1999-2000 appropriation is increased by \$611,800 to \$8,304,900. The additional funding will be used to bring nine math and science centers up to their full funding level. The nine centers are entitled to the increase in funding because they have expanded their programs in accordance with the State Board of Education's Master Plan. All other centers had previously expanded their services and met the requirements of the Master Plan and had their funding increased accordingly.

J. RETIREMENT CONTRIBUTION RATE

The estimated retirement contribution rate for the Michigan Public School Employees Retirement System is increased from 11.12% to 11.66% of payroll for FY 1999-2000. The increase in the contribution rate is necessary due to changes in the actuarial requirement needed to keep the system fully funded.

K. SCHOOLS OF CHOICE

Two substantial changes will affect the current schools of choice program, beginning in FY 1999-2000. First, enrollment in a schools of choice program will be possible in the second semester. Presently, enrollment is possible only at the beginning of the school year. Second, schools participating in the program will be able to enroll students beyond their intermediate school district (ISD) boundary, as long as a pupil's resident district is contiguous to the educating choice district. For a special education pupil using this new program, the educating choice district and the resident district must agree on how much the resident district will pay to the educating district for the cost of the pupil's education.

FY 2000-01 SCHOOL AID BUDGET ISSUES: P. A. 119 OF 1999

ISSUES

Most of the line items for K-12 funding for FY 2000-01 are maintained at the same level as in the previous fiscal year, FY 1999-2000. However, some items are increased in order to correspond with the relative increase in the basic foundation allowance for FY 2000-01. The following items are those that will receive an increase for FY 2000-01.

A. MEMBERSHIP BLEND

The method for determining pupil membership will change in FY 2000-01 from the previous year's 25%-75% blend to a 20%-80% blend. Again, this means that a district's membership will be calculated by placing a 20% weight on the previous year's winter pupil count plus an 80% weight on the current year's fall pupil count.

B. FOUNDATION ALLOWANCE

The basic foundation allowance will increase by \$170 or 2.9% over FY 1999-2000 to \$5,866 in FY 2000-01. It is estimated that all school districts will reach the basic foundation allowance of \$5,866 in FY 2000-01. Unlike past years when districts at the previous year's minimum foundation allowance received twice the increase in the basic foundation allowance, the maximum foundation allowance increase for FY 2000-01 will be \$228. A school district that in the previous year was below the basic foundation allowance is not allowed to receive an increase that will exceed the basic foundation allowance in the succeeding year; therefore, the maximum increase will be \$228 rather than twice the increase of \$170 or \$340. Districts with FY 1999-2000 foundation allowances at or above the basic of \$5,696 will receive an increase of \$170 per pupil. The appropriation will increase by \$389,564,200 or 4.6% over FY 1999-2000 to \$8,906,496,200. Of the increase, \$88,100,000 is needed for the adjustment due to the change in the personal property tax tables. The remainder of the increase is to fund the increase in the foundation allowance, the change to the 20%-80% blended membership count, and an estimated increase in pupils.

C. HOLD HARMLESS SCHOOL DISTRICT PAYMENTS

For FY 2000-01 there is appropriated \$13,000,000 to ensure that hold harmless school districts receive a per pupil increase equal to the increase in the basic foundation allowance (\$170 in FY 2000-01). The amount appropriated for FY 2000-01 is \$3,000,000 less than the FY 1999-2000 level because the increase in the basic foundation allowance is \$170 compared with the \$234 increase in the previous year's basic foundation allowance.

D. AT-RISK PROGRAM

The At-Risk program funding increases by \$7,856,700 or 2.9% to \$278,776,700 in FY 2000-01. The increase coincides with the additional \$170 per pupil increase in the basic foundation allowance from the prior year.

E. SPECIAL EDUCATION

Additional State funds of \$56,609,600 will bring total State funding to \$846,252,600 in FY 2000-01. The increased funds cover the projected cost of the required funding percentages for special education and special education transportation, and continue hold harmless payments and other special education categorical programs.

F. ISD VOCATIONAL EDUCATION MILLAGE EQUALIZATION

Funding for FY 2000-01 is set at \$10,250,000, an increase of \$600,000 over FY 1999-2000. The increase in funding is necessary to cover the increased costs associated with the changes in the personal property tax tables.

G. ISD GENERAL OPERATIONS

The appropriation for ISD general operations is increased by \$2,412,900 or 2.9% to \$85,616,600 for FY 2000-01. The increase in funding corresponds with the increase of 2.9% in the basic foundation allowance for FY 2000-01.

VETOES

A. MILLAGE ROLLBACK ADJUSTMENT

The Governor vetoed a \$5,000,000 appropriation for FY 1999-2000 and FY 2000-01 to make payments to districts that levied more than 35 school operating mills in 1993, and that levied enhancement millage in 1996 and received more than \$3,500,000 in revenue from that millage. The payment was intended to offset the costs incurred by the qualifying districts due to a millage rollback in the year prior to the implementation of Proposal A, which resulted in a lowered base revenue upon which the district's foundation allowance is computed. Each of the four qualifying districts (Flint, Chippewa Valley, L'Anse Creuse, and Wayne-Westland) would have received \$1,250,000.

B. PROJECT JUMP START

The Governor vetoed funding of \$60,000 for FY 1999-2000 and FY 2000-01 that would have awarded four grants of \$15,000 each for operational funding for Project Jump Start. The grant recipients would have provided early intervention programs for at-risk kindergarten pupils. The four eligible school districts were: Albion, Battle Creek, Brighton, and Marshall.

**DEPARTMENT OF STATE
P.A. 124 of 1999**

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	2,008.1	2,026.7	2,044.0	35.9	1.8
GROSS.....	175,790,300	180,056,300	181,515,300	5,725,000	3.3
Less:					
Interdepartmental					
Grants Received.....	46,604,600	56,830,800	56,830,800	10,226,200	21.9
ADJUSTED GROSS.....	129,185,700	123,225,500	124,684,500	(4,501,200)	(3.5)
Less:					
Federal Funds.....	1,099,600	3,112,100	3,112,100	2,012,500	183.0
Local and Private.....	884,500	500,100	500,100	(384,400)	(43.5)
TOTAL STATE SPENDING.....	127,201,600	119,613,300	121,072,300	(6,129,300)	(4.8)
Less:					
Other State					
Restricted Funds.....	59,227,200	60,983,200	60,983,300	1,756,100	3.0
GENERAL FUND/GENERAL PURPOSE.....	67,974,400	58,630,100	60,089,000	(7,885,400)	(11.6)
PAYMENTS TO LOCALS.....	69,800	69,800	69,800	0	0.0

ISSUES

A. FY 1998-99 SUPPLEMENTAL APPROPRIATIONS

Public Act 69 of 1999

1. **Repeat Offender Legislation.** Vehicle repeat offender legislation was signed into law in October 1998, and is effective October 1, 1999. The laws provide courts, law enforcement, and the Department of State with new tools for enforcement, such as vehicle immobilization, plate confiscation, and registration denial, to address traffic safety problems. The supplemental includes \$1,748,600 for start-up costs for the program.
2. **Qualified Voter File (QVF).** Local units of government on the QVF are requesting enhancements and software upgrades for equipment that is three years old. The supplemental includes a \$3,743,800 appropriation for software upgrades, interim maintenance costs, and preparation for redistricting due to the 2000 census.

B. SNOWMOBILE DECALS

Public Act 297 of 1998 requires that Michigan snowmobile owners display their snowmobile registration numbers on the snowmobile. This legislation was effective July 1, 1999. The Department of State is working with the Department of Natural Resources to design a new decal. Current decals cost approximately \$18,000 annually. The budget includes \$42,000 to create and distribute the new decals.

C. REPEAT OFFENDER LEGISLATION

The budget includes \$2,479,000 and 30.7 FTEs for first-year ongoing costs for the program.

D. LIGHTHOUSE PROJECT

The budget includes \$150,000 and 1.0 FTE to award discretionary historical grants for the preservation of Michigan lighthouses. A portion of these funds may be used to assist in the transfer of lighthouses from Federal ownership. A portion of the funds may also be used for program administration and project coordination; however, funds are not to be used for the operation of the lighthouses.

E. DEPARTMENT OF TRANSPORTATION – PUBLIC ACT 51 COMPLIANCE

Public Act 51 of 1951, as amended, requires the phase-out of certain Michigan Transportation Fund (MTF)-supported interdepartmental grants by fiscal year 2000-01. The Department of State is exempted from this provision in the Act. The budget includes a \$7,962,900 shift from the General Fund to the MTF in the form of an interdepartmental grant. Independent cost allocation studies of transportation-related activities in the Department of State support the additional MTF allocation.

F. DOCUMENT MANAGEMENT SYSTEM

The Department of State has been working to modernize its document management system, replacing the current film-based system with an electronic image-based system. Phase one of the project was funded in an FY 1997-98 supplemental appropriation. The budget includes a \$1,600,000 appropriation for the final two phases of the project.

G. SOCIAL SECURITY NUMBER VERIFICATION

Public Act 330 of 1998 was enacted in response to the Federal Illegal Immigration Reform and Immigrant Responsibility Act of 1996. The Federal Act requires states to collect and verify Social Security numbers from all drivers and personal identification card applicants beginning on October 1, 2000. The budget includes an appropriation of \$1,712,200 and 3.2 FTEs for the start-up costs for implementing this legislation.

H. UNCLASSIFIED SALARIES

The budget includes a 3% increase for the line item that funds 5.0 unclassified positions. The recommendation increases the appropriation for the unclassified positions line from \$431,600 to \$444,500. This is an increase of \$12,900.

I. ECONOMIC ADJUSTMENTS

Standard economic adjustments of \$5,446,400 are applied for salaries and wages, retirement, insurance, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries	\$2,363,700	\$938,700
Insurance	2,101,600	849,800
Building Occupancy	30,700	66,900
Postage	248,200	86,900
Workers' Compensation	51,100	20,000
Retirement	651,100	266,100
Total	\$5,446,400	\$2,228,400

J. OTHER CHANGES

The budget includes reductions of \$225,100 for other adjustments for salaries, restricted fund sources, increases in Federal grants for ongoing costs in the Historical Program, as well as other technical adjustments.

**DEPARTMENT OF STATE POLICE
P.A. 110 of 1999**

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	3,557.0	3,579.0	3,591.0	34.0	1.0
GROSS.....	358,045,900	363,263,200	368,850,300	10,804,400	3.0
Less:					
Interdepartmental					
Grants Received.....	18,259,000	20,533,200	22,307,800	4,048,800	22.2
ADJUSTED GROSS.....	339,786,900	342,730,000	346,542,500	6,755,600	2.0
Less:					
Federal Funds.....	34,596,200	29,981,400	32,216,400	(2,379,800)	(6.9)
Local and Private.....	3,453,400	3,479,800	3,479,800	26,400	0.8
TOTAL STATE SPENDING.....	301,737,300	309,268,800	310,846,300	9,109,000	3.0
Less:					
Other State					
Restricted Funds.....	41,714,300	41,882,200	42,126,400	412,100	1.0
GENERAL FUND/GENERAL PURPOSE.....	260,023,000	267,386,600	268,719,900	8,696,900	3.3
PAYMENTS TO LOCALS.....	18,124,800	18,041,800	19,384,100	1,259,300	6.9

ISSUES

A. FY 1998-99 SUPPLEMENTAL APPROPRIATIONS

1. Public Act 69 of 1999

This supplemental provided \$550,000 for the purpose of producing a study of the impact of 1998 drunk driving legislation. This study is required under P.A. 354 of 1998.

2. Public Act 137 of 1999

This supplemental appropriated \$250,000 to the Fire Fighters Training Council to increase support for training, and \$850,000 for State costs incurred in providing the southeastern portion of the State with disaster assistance.

B. AT-POST TROOPERS

The Governor and the Legislature provided for a 119th trooper school to replace annual attrition in the ranks of at-post troopers and to bring statewide trooper strength to a projected 1,340 in 2000. The school is to begin in August 2000. The cost of the school is offset by Department savings in retirement costs, attrition, and transfer of troopers to other divisions. Savings include troopers transferred to the Executive Division (1.0 FTE, \$82,900), to the Forensic Division (9.0 FTEs, \$747,000), and to the Criminal Investigation Division (6.0 FTEs, \$498,100). The net increase to the appropriation for FY 1999-2000 is \$1,642,800.

C. DETECTIVES

The Governor and the Legislature provided for an increase (12.0 FTEs and \$1,023,000) in the number of State Police detectives in the State. These detectives, placed at various posts throughout the State, are to assist the Department's efforts to provide investigative services to increasing requests for cases involving the State's prisons and in matters related to domestic abuse.

D. CASINO GAMING OVERSIGHT

The Governor and the Legislature provided an additional 10.0 FTEs and \$2,123,300 in casino gaming fee revenue to bring the Department's role in casino gaming oversight operation to a total of 58.0 FTEs and \$7,097,900 for FY 1999-2000.

E. MAINFRAME COMPUTER CONVERSION

The Governor and the Legislature included funds for the continued support for the conversion costs for a mainframe computer. The additional funding of \$1,160,700 is part of the overall \$4,400,000 cost of the project, spread over FY 1998-99, FY 1999-2000, and FY 2000-01.

F. AT-POST CLERICAL SUPPORT

The Governor and the Legislature added \$339,400 to increase the hours of part-time clerical support to the State Police posts to allow for more time for troopers to be on the road.

G. RADIO COMMUNICATIONS SYSTEM

The Governor and the Legislature provided adjustments to the Department's phase-in of a new statewide public safety communication system. These adjustments includes a reduction of \$2,000,000 due to delays in the phase-in of the project, \$548,000 for leasing radio maintenance shops, and \$682,000 for Upper Peninsula utility lines.

H. SECONDARY ROAD PATROL GRANTS

The Legislature provided an increase of \$1,333,300 for the Secondary Road Patrol Grant Program. The program consists of two fund sources, GF/GP and Restricted, which come from a \$5 surcharge levied against traffic violators. The appropriations for the program and the increase to these funds are shown below.

	FY 1998-99	FY 1999-2000	Increase	Percent
Secondary Road Patrol and Traffic Accident Grants (GF/GP)	\$4,452,100	\$5,702,100	\$1,250,000	28.1
Secondary Road Patrol and Traffic Accident Grants (Restricted)	6,069,000	6,152,300	83,300	1.4
TOTAL:	\$10,521,100	\$11,854,400	\$1,333,300	12.7

This increase in funding will provide additional revenue to eligible county sheriff departments to assist in the patrol of secondary roads in the State. Eligible counties receive funds on a percentage basis that is linked to county road maintenance allotments found in the Michigan Transportation Fund Act, P.A. 51 of 1951. In addition, the Legislature provided for an increase of 1.4% (\$9,000 restricted) to the section of the Secondary Road Patrol Program that is dedicated to training, from \$650,400 to \$659,400.

I. MOTOR CARRIER ENFORCEMENT

The Legislature included an additional \$1,774,600 in interdepartmental grant funding from the Department of Transportation for State technology improvements, scale house infrastructure improvements, and increased portable scale patrols. The FY 1999-2000 Department of Transportation budget bill did not reflect this increase.

J. PRIVATE SECURITY GUARD

The Legislature added \$225,000 in private security guard licensing revenue to provide increased support for the office that licenses and regulates private security guard personnel, should increased fee revenue become available.

K. UNCLASSIFIED SALARIES

The Governor and the Legislature included a 5.9% (\$23,000) increase to the Department's unclassified employees. This amount includes \$11,500 to increase the base of certain unclassified positions that are vacant in an attempt to make those salaries more competitive with the private sector.

L. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries	\$4,731,300	\$4,032,600
Insurance	3,247,000	2,792,600
Retirement	341,500	243,800
Enlisted Pension	(467,600)	(425,700)
Fleet Leasing	653,600	586,900
Medical Services	11,700	11,700
Food	4,100	2,200
Workers' Compensation	(359,600)	(359,600)
Fuel & Utilities	45,900	43,100
Postage	5,500	5,500
Building Occupancy	(64,800)	(64,800)
Total	\$8,148,600	\$6,868,300

M. OTHER CHANGES

The Governor and the Legislature included leased costs for a replacement helicopter (\$412,300), an increase in reimbursed services (\$250,000), and reductions totaling \$6,871,300, part of which includes an adjustment for the expiration of current grants for Fire Fighter Training (\$250,000), Bay County Gang Task Force (\$10,000), Drunk Driving Study (\$550,000), Federal grant funds for the DNA Lab (\$272,000), hazardous materials response (\$357,300), Uniform Services (\$811,500), anti-drug initiatives (\$2,067,700), safety inspections (\$999,300), and grants for disaster assistance (\$850,000).

**STRATEGIC FUND AGENCY
P.A. 120 of 1999**

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	N/A	241.0	241.0	241.0	N/A
GROSS.....	N/A	131,917,100.0	168,917,100.0	168,917,100	N/A
Less:					
Interdepartmental					
Grants Received.....	N/A	100,000.0	100,000.0	100,000	N/A
ADJUSTED GROSS.....	N/A	131,817,100	168,817,100	168,817,100	N/A
Less:					
Federal Funds.....	N/A	53,203,200.0	53,203,200.0	53,203,200	N/A
Local and Private.....	N/A	656,700.0	656,700.0	656,700	N/A
TOTAL STATE SPENDING.....	N/A	77,957,200	114,957,200	114,957,200	N/A
Less:					
Other State					
Restricted Funds.....	N/A	13,050,000.0	50,050,000.0	50,050,000	N/A
GENERAL FUND/GENERAL PURPOSE.....	N/A	64,907,200.0	64,907,200.0	64,907,200	N/A
PAYMENTS TO LOCALS.....	N/A	31,000,000.0	106,000,000.0	106,000,000	N/A

ISSUES

A. FY 1998-99 SUPPLEMENTAL APPROPRIATIONS

Public Act 69 of 1999

The supplemental includes \$30,000,000 GF/GP for Technology Training Centers. In FY 1998-99, \$30,000,000 was distributed to eight community colleges through the Michigan Strategic Fund following a competitive application process for the construction of these centers.

B. EXECUTIVE ORDER REORGANIZATION

Split of the Michigan Jobs Commission

Executive Order 1999-1 transferred \$143,229,000 from the Michigan Jobs Commission into the Michigan Strategic Fund Agency to fund all of the economic development programs, including the Economic Development Job Training Grants and the Travel Commission. The Department of Michigan Jobs Commission subsequently was abolished.

C. COMMUNITY DEVELOPMENT BLOCK GRANT

The budget includes a \$5,000,000 increase in Federal spending authority for this program to reflect more accurately the amount of Federal revenue that will be available.

D. ECONOMIC DEVELOPMENT JOB TRAINING GRANTS

The budget replaces the \$1,000,000 that was taken from this program to fund the interdepartmental grant to the Department of Natural Resources for the Civilian Conservation Corps Camp at Alberta. The funding for this camp will be appropriated directly in the Department of Natural Resources budget.

E. HEALTH AND AGING RESEARCH AND DEVELOPMENT INITIATIVE

The budget includes \$50,000,000 in Restricted Tobacco Settlement Revenues for this new initiative, which will be overseen by a steering committee. The initiative will provide funding for basic research and collaborative grants at Michigan universities as well as commercial development for Life Science research.

F. ECONOMIC ADJUSTMENTS

The budget includes a \$688,000 increase for standard economic adjustments that were applied for salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets.

**DEPARTMENT OF TRANSPORTATION
P.A. 372 of 1999**

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	3,176.3	3,176.3	3,176.3	0.0	0.0
GROSS.....	2,795,294,400	2,810,730,900	2,808,545,700	13,251,300	0.5
Less:					
Interdepartmental					
Grants Received.....	29,357,500	10,459,500	10,459,500	(18,898,000)	0.0
ADJUSTED GROSS.....	2,765,936,900	2,800,271,400	2,798,086,200	32,149,300	1.2
Less:					
Federal Funds.....	834,317,800	831,671,000	815,921,000	(18,396,800)	(2.2)
Local and Private.....	5,300,000	5,300,000	5,300,000	0	0.0
TOTAL STATE SPENDING.....	1,926,319,100	1,963,300,400	1,976,865,200	50,546,100	2.6
Less:					
Other State					
Restricted Funds.....	1,926,319,100	1,963,300,400	1,976,865,200	50,546,100	2.6
GENERAL FUND/GENERAL PURPOSE.....	0	0	0	0	0.0
PAYMENTS TO LOCALS.....	1,075,448,700	1,092,775,100	1,105,317,700	29,869,000	2.8

TRANSPORTATION
FY 1999-2000 Budget

ISSUES

A. MICHIGAN TRANSPORTATION FUND (MTF) REVENUE GROWTH

The FY 1999-2000 budget includes formula revenue distributions for road and bridge programs based on estimated on MTF revenue growth as follows:

State Trunkline Fund	\$26,818,900
County road commissions	\$24,230,700
Cities and villages	\$13,509,700

B. POSITION REORGANIZATIONS AND REDUCTIONS

The FY 1999-2000 budget makes several changes to the distribution of full-time equated (FTE) positions within the Department. These changes result from staff consolidations within the Bureau of Transportation Planning and Office of Information Management. However, there is no overall change in the total number of FTEs in the Department, which remains at 3,176.3.

C. DEBT SERVICE PAYMENTS

Debt service payments are reduced by \$15,650,600 in the FY 1999-2000 budget due to savings from debt refinancing and scheduled debt service payment reductions.

D. GRANTS TO OTHER STATE DEPARTMENTS

Transportation funds distributed to other State departments increase by \$1,496,700 in FY 1999-2000, from \$68,002,200 to \$69,498,900. However, the structure of these grants is markedly different from previous years. The FY 1999-2000 MTF grant to the Department of State is increased by \$9,926,200. Michigan Transportation Fund grants to other departments, including the Departments of Civil Service, Management and Budget, State Police, and Treasury, are reduced by \$8,023,600. Finally, the fund source for the grant to the Attorney General is shifted from the State Trunkline Fund to the Michigan Transportation Fund.

E. ROADS AND BRIDGES PROGRAM

The FY 1999-2000 budget makes several changes in road and bridge program appropriations, including additional funds for routine maintenance, \$11,445,000, and one-time purchases: heavy equipment, \$2,714,200 and computer technology, \$7,000,000. These increases are offset by the elimination of several one-time appropriations contained in the FY 1998-99 budget, including the Urban Economic Infrastructure Improvement Program (\$4,000,000) and capital maintenance funds for the Blue Water Bridge (\$10,000,000). Additional changes shift the distribution of Federal transportation funds from the State to local units of government.

F. LOCAL BUS OPERATING ASSISTANCE

Local bus operating assistance payments are reduced in the FY 1999-2000 budget, from \$154,950,200 to \$144,576,300. This reduction results from the elimination of one-time revenues appropriated in FY 1998-99. This reduction is partially offset by the creation of a new line item that appropriates up to an additional \$6,000,000 in Comprehensive Transportation Fund (CTF) revenue, should it become available.

G. AERONAUTICS PROGRAMS

The FY 1999-2000 budget reduces funding to the Bureau of Aeronautics by \$1,316,400 to adjust for a one-time increase in FY 1998-99 to purchase a new airplane for the State's air fleet. The budget also provides \$165,000 to support the Airport Management Program at the Romeo Airport in Macomb County.

H. HIGH-SPEED RAIL

Additional funds, \$2,137,800, are included in the FY 1999-2000 budget to support the ongoing high-speed rail initiative within the Bureau of Urban and Public Transportation.

I. WORK FIRST

The FY 1999-2000 budget provides \$3,979,200 from the Comprehensive Transportation Fund for the transportation component of the Work First program. This is a \$703,400 increase over FY 1999-2000.

J. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries	\$4,647,000	\$0
Insurance	2,857,900	0
Motor Transport	723,300	0
Workers' Compensation	34,200	0
Fuel and utilities	50,600	0
Building occupancy	693,300	0
Retirement	1,324,200	0
TEDF administrative offset resulting from E.O. 1999-1	(16,400)	0
Total	\$10,314,100	\$0

VETOES

A. LOCAL BRIDGE FUNDING INCREASE

The Governor vetoed a proposed (\$15,750,000) increase in Federal funds for local bridge projects. This increase would have earmarked local Federal highway funds to the Critical Bridge program. In his veto letter, the Governor promised a mid-year supplemental appropriation to bring Federal highway aid distributions into conformity with Public Act 51 of 1951, if necessary.

B. LOCAL ROAD PROJECTS

The Governor vetoed three specific local road projects included in the appropriation bill (\$5,600,000). These included \$2,000,000 for congestion relief on US-31, \$3,500,000 for passing lanes on US-223 in Lenawee County, and \$100,000 for preliminary engineering studies at the Pleasant Valley road exit on I-96.

DEPARTMENT OF TREASURY - DEBT SERVICE
P.A. 124 of 1999

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	N/A	N/A	N/A	N/A	N/A
GROSS.....	94,117,500	94,117,500	94,117,500	0	0.0
Less:					
Interdepartmental					
Grants Received.....	0	0	0	0	0.0
ADJUSTED GROSS.....	94,117,500	94,117,500	94,117,500	0	0.0
Less:					
Federal Funds.....	0	0	0	0	0.0
Local and Private.....	700,000	700,000	700,000	0	0.0
TOTAL STATE SPENDING.....	93,417,500	93,417,500	93,417,500	0	0.0
Less:					
Other State					
Restricted Funds.....	0	0	0	0	0.0
GENERAL FUND/GENERAL PURPOSE.....	93,417,500	93,417,500	93,417,500	0	0.0
PAYMENTS TO LOCALS.....	0	0	0	0	0.0

TREASURY - DEBT SERVICE
FY 1999-2000 Budget

ISSUES

A. DEBT SERVICE

The budget reflects no changes in FY 1999-2000 anticipated debt service requirements.

DEPARTMENT OF TREASURY - OPERATIONS
P.A. 124 of 1999

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	1,909.0	1,933.0	1,933.0	24.0	1.3
GROSS.....	296,903,500	300,598,100	302,598,100	5,694,600	1.9
Less:					
Interdepartmental					
Grants Received.....	15,603,700	8,810,600	8,810,600	(6,793,100)	(43.5)
ADJUSTED GROSS.....	281,299,800	291,787,500	293,787,500	12,487,700	4.4
Less:					
Federal Funds.....	39,370,100	39,800,000	39,800,000	429,900	1.1
Local and Private.....	2,412,000	2,247,200	2,247,200	(164,800)	(6.8)
TOTAL STATE SPENDING.....	239,517,700	249,740,300	251,740,300	12,222,600	5.1
Less:					
Other State					
Restricted Funds.....	172,815,800	186,441,900	188,441,900	15,626,100	9.0
GENERAL FUND/GENERAL PURPOSE.....	66,701,900	63,298,400	63,298,400	(3,403,500)	(5.1)
PAYMENTS TO LOCALS.....	76,281,500	81,098,900	81,098,900	4,817,400	6.3

TREASURY - OPERATIONS
FY 1999-2000 Budget

ISSUES

A. FY 1998-99 SUPPLEMENTAL APPROPRIATIONS

1. Public Act 69 of 1999

- a. Tax Technology Investment Plan.** The supplemental includes a \$5,300,000 appropriation to improve tax collection technology. Under this plan, the current tax administration system will be replaced with a modern system. The technology plan will be a five-year plan. Over the next five years, the Governor recommends that \$73,000,000 be provided to improve the system. The Department of Treasury expects the plan to increase tax revenues by \$250,000,000 over the five-year period and \$100,000,000 annually thereafter.
- b. Reimbursement for Presidential Primary Costs.** The supplemental includes a \$6,000,000 appropriation to reimburse local units of government for the cost of administering the 2000 presidential primary.

2. Public Act 137 of 1999

- a. Charter School Reserve Funding.** The supplemental includes a \$5,000,000 appropriation for a charter school reserve fund. These funds will be used to finance short-term loans for Michigan charter schools. These short-term notes for charter schools will enable public school academies to borrow loan funds for either cash flow or capital projects.
- b. Cigarette Stamp Operations.** The supplemental includes a \$1,400,000 appropriation and 2.0 FTEs to implement the remaining components of the cigarette stamp program. This appropriation will fund current-year costs for the program listed under Item E.

B. TAX TECHNOLOGY INVESTMENT PLAN

The budget includes \$5,000,000 for the second phase of the Tax Technology Investment Plan described in Item A.1.

C. DEPARTMENT OF TRANSPORTATION – PUBLIC ACT 51 COMPLIANCE

Statutory language contained in Public Act 51 of 1951, as amended, requires the phase-out of certain Michigan Transportation Fund (MTF)-supported interdepartmental grants by fiscal year 2000-01. The budget replaces MTF funding in the Department of Treasury with \$6,877,400 of General Fund support.

D. RETIREMENT INVESTMENTS MANAGEMENT

According to the Department of Treasury, State assets under management have grown 80% over the past five years with no increase in asset management resources. In order to maintain investment service performance, managerial services are required in the Trust Accounting, Quantitative Analysis, Alternative Investments, and Active Equity areas. The budget includes 3.0 FTEs and \$500,000 to maintain investment service performance.

E. CIGARETTE STAMP OPERATIONS

The budget includes \$325,000 and 4.0 FTEs to implement the remaining components of the cigarette stamp program. According to the Department of Treasury, the program will add an estimated \$28,000,000 annually to the School Aid Fund.

F. DUE PROCESS NOTIFICATION

Pursuant to a court judgment, *Brandon Township v Tomkow*, the Department of Treasury must send notices to all parties of interest when beginning the tax foreclosure process. In addition to sending and preparing notices, the Department must resend notices to parties from whom there is no response. The budget includes \$250,000 and 2.0 FTEs to meet the ongoing notification requirements.

G. COUNTY ROAD COMMISSION PERFORMANCE AUDITS

Public Act 117 of 1997 requires the Department to conduct performance audits of county road commissions. The budget includes \$310,000 and 3.0 FTEs to comply with statutory requirements.

H. CASINO GAMING OVERSIGHT

The budget includes \$3,906,500 in line item funding and 14.0 FTEs for full-year costs of oversight and control of the casino gaming operations.

I. CONVENTION FACILITY DEVELOPMENT GRANTS

The budget includes a \$4,000,000 increase in this line item. This increase brings the total appropriation to \$36,000,000. The grants are distributed to local units of government only for the purpose of acquiring, constructing, improving, enlarging, renewing, replacing, or leasing a convention facility, or in conjunction with these activities, repairing, furnishing, and equipping the convention facility.

J. SENIOR CITIZEN COOPERATIVE HOUSING GRANT

The budget reflects an increase of \$900,000 to reimburse local units of government based on the number of facilities and property tax levels. This increase brings the total appropriation to \$12,800,600.

K. LOTTERY PROMOTION AND ADVERTISING

The budget includes an additional \$2,000,000 for lottery promotion and advertising. Last year, \$3,200,000 was removed from this line item conditional upon the conducting of a study to examine the effects of advertising on lottery revenues. The \$2,000,000 was restored to the FY 1999-2000 base.

L. TOBACCO SETTLEMENT FUND

Michigan Merit Award Trust Fund Commission

The budget provides \$2,000,000 for the administration of the Michigan Merit Award Trust Fund Commission. The proceeds from the settlement reached with the tobacco industry will be used to fund administration costs.

M. UNCLASSIFIED SALARIES

The budget increases the line item that funds 9.0 unclassified positions from \$726,200 to \$748,600, an increase of \$22,400. This represents a 3% increase over The FY 1998-99 appropriation.

N. ECONOMIC ADJUSTMENTS

Standard economic adjustments of \$4,215,100 are applied for salaries and wages, retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Item	Gross	GF/GP
Salaries	\$2,012,100	\$518,400
Insurance	1,268,900	334,300
Motor Transport	5,500	5,000
Building Occupancy	61,500	61,500
Postage	145,600	145,600
Retirement	721,500	157,100
Total	\$4,215,100	\$1,221,900

O. OTHER CHANGES

The budget reflects reductions of \$34,400 for interdepartmental grants, restricted fund sources, and other technical items.

DEPARTMENT OF TREASURY - REVENUE SHARING
P.A. 124 of 1999

FUNDING SOURCE	FY 1998-99 YEAR-TO-DATE	FY 1999-2000 GOV'S. REC.	FY 1999-2000 ENACTED	Change from FY 1998-99 Year-To-Date	
				DOLLAR	PERCENT
Full-Time Equated Positions.....	N/A	N/A	N/A	N/A	N/A
GROSS.....	1,386,600,000	1,434,500,000	1,469,000,000	82,400,000	5.9
Less:					
Interdepartmental					
Grants Received.....	0	0	0	0	0.0
ADJUSTED GROSS.....	1,386,600,000	1,434,500,000	1,469,000,000	82,400,000	5.9
Less:					
Federal Funds.....	0	0	0	0	0.0
Local and Private.....	0	0	0	0	0.0
TOTAL STATE SPENDING.....	1,386,600,000	1,434,500,000	1,469,000,000	82,400,000	5.9
Less:					
Other State					
Restricted Funds.....	1,380,700,000	1,428,000,000	1,462,500,000	81,800,000	5.9
GENERAL FUND/GENERAL PURPOSE.....	5,900,000	6,500,000	6,500,000	600,000	10.2
PAYMENTS TO LOCALS.....	1,386,600,000	1,434,500,000	1,469,000,000	82,400,000	5.9

TREASURY - REVENUE SHARING
FY 1999-2000 Budget

ISSUES

A. FY 1998-99 SUPPLEMENTAL APPROPRIATIONS

Public Act 137 of 1999 provides for an FY 1998-99 supplemental appropriation of \$400,000 for special census payments to cities, villages, and townships.

B. REVENUE SHARING PAYMENTS

Public Act 124 of 1999 appropriates revenue sharing payments. The restricted revenue sharing payments are estimated and appropriated at \$1,462,500,000 in FY 1999-2000, which is an increase of \$81,800,000 or 5.9% over FY 1998-99 estimated and appropriated payments. The appropriated level in FY 1999-2000 fully funds the restricted revenue sharing payments up to the 8% cap level for cities, villages, and townships, as specified in Public Act 532 of 1998. Since the total restricted appropriated amount will be a limit on the total revenue sharing distributions, if actual sales tax revenue is greater than the consensus figure or produces a higher revenue sharing total than the appropriated amount, the amount above the constitutional portion that is distributed will be subtracted from the statutory payments.

The budget also contains an appropriation of \$6,500,000 for FY 1999-2000 in General Fund/General Purpose revenue for special census payments to cities, villages, and townships that were certified to be eligible by June 30, 1997. Local units must have population increases more than 15% from the last Federal decade census count. The supplemental appropriation and the appropriation provided in Public Act 124 of 1999 continue the special census payments at the fully funded level.

Public Act 124 of 1999 also includes the Governor's recommendation that if county treasurers do not comply with Section 151 of the State School Aid Act of 1979 (MCL 388.1751), then the statutory portion of their revenue sharing payments will not be made until the reporting requirements have been met. The information that county treasurers need to submit is a statement of the taxable value data for each district and fraction of each district within the county, as well as revisions for prior years.

The estimated revenue sharing payments by distribution type are summarized as follows in Table 1. These figures are based on the May 1999 consensus estimates of State revenues and appropriations for special census payments.

Table 1

ENACTED ESTIMATED REVENUE SHARING PAYMENTS FOR FY 1998-99 AND FY 1999-2000 (millions of dollars)				
	FY 1998-99 Estimate ¹⁾	FY 1999-2000 Estimate ¹⁾	Difference from FY 1998-99	
			Dollar	Percent
Sales Tax Constitutional:				
Cities, Villages, Townships	\$581.6	\$607.2	\$25.6	4.4%
Constitutional Total	581.6	607.2	25.6	4.4%
Sales Tax Statutory:				
Counties	200.3	214.3	14.0	7.0%
Cities, Villages, Townships	598.8	641.0	42.2	7.0%
Statutory Total	799.1	855.3	56.2	7.0%
Restricted Total	\$1,380.7	\$1,462.5	\$81.8	5.9%
General Fund/General Purpose ²⁾	5.9	6.5	0.6	10.2%
TOTAL	\$1,386.6	\$1,469.0	\$82.4	5.9%
<p>1) The estimated figures are upper bound limits; if actual revenue sharing payments are lower, then the distributions will be reduced. If actual constitutional payments are higher, then the statutory payments will be reduced.</p> <p>2) General Fund/General Purpose amounts are for special census payments.</p>				

APPENDICES

FY 1999-2000
APPROPRIATION BILL INDEX

<u>BUDGET AREA</u>	<u>BILL NUMBER</u>	<u>PUBLIC ACT NUMBER</u>	<u>LINE-ITEM VETOES</u>
Agriculture	S.B. 357	P.A. 112 of 1999	NO
Attorney General	S.B. 366	P.A. 124 of 1999	NO
Capital Outlay	H.B. 4297	PENDING	
Career Development	S.B. 79	P.A. 120 of 1999	NO
Civil Rights	S.B. 366	P.A. 124 of 1999	NO
Civil Service	S.B. 366	P.A. 124 of 1999	NO
Community Colleges	H.B. 4298	P.A. 109 of 1999	NO
Community Health	H.B. 4299	P.A. 114 of 1999	YES
Consumer and Industry Services	S.B. 361	P.A. 122 of 1999	NO
Corrections	H.B. 4300	P.A. 92 of 1999	NO
Education	H.B. 4301	P.A. 113 of 1999	NO
Environmental Quality	S.B. 364	P.A. 125 of 1999	YES
Executive	S.B. 366	P.A. 124 of 1999	NO
Family Independence Agency	S.B. 365	P.A. 135 of 1999	YES
Higher Education	H.B. 4302	P.A. 93 of 1999	YES
Judiciary	S.B. 368	P.A. 126 of 1999	YES
Legislative Auditor General	S.B. 366	P.A. 124 of 1999	NO
Legislature	S.B. 366	P.A. 124 of 1999	NO
Library of Michigan	S.B. 366	P.A. 124 of 1999	NO
Management and Budget	S.B. 366	P.A. 124 of 1999	NO
Military Affairs	S.B. 369	P.A. 96 of 1999	NO
Natural Resources	S.B. 370	P.A. 121 of 1999	NO
School Aid	H.B. 5516	P.A. 339 of 1998	YES
State	S.B. 366	P.A. 124 of 1999	NO
State Police	S.B. 371	P.A. 110 of 1999	NO
Strategic Fund Agency	S.B. 79	P.A. 120 of 1999	NO
Transportation	S.B. 372	P.A. 136 of 1999	YES
Treasury	S.B. 366	P.A. 124 of 1999	NO

ECONOMIC FORECAST AND REVENUE ESTIMATES

A. ECONOMIC FORECAST

The level of economic activity has a strong and direct impact on the level of State government revenues, particularly for the major taxes. Therefore, the first step in estimating State government revenues is to forecast the level of economic activity. Based on the consensus economic forecast adopted at the May 1999 Consensus Revenue Estimating Conference, economic activity in both the U.S. and Michigan is expected to continue to expand in 2000, but at a slower rate than occurred in 1998 or is expected to occur in 1999. For the U.S., real Gross Domestic Product (GDP) will increase an estimated 2.4%, which is down from the 3.9% rate of growth experienced in 1998 and the 3.9% increase forecast for 1999. Much of the slower growth forecast for 2000 is due to an expected slowdown in the growth in both consumer and business spending. As a result, light vehicle sales are expected to decline to 15.5 million units in 2000 from the record-breaking pace of 15.8 million units forecast for 1999. Inflation is expected to remain at a relatively low 2.3% in 2000, which is up only slightly from the 2.0% price increase forecast for 1999. The U.S. unemployment rate will edge up slightly to an estimated 4.5% in 2000 from an estimated 4.3% in 1999.

The rate of economic growth in Michigan is also expected to moderate in 2000 compared with the growth rates experienced in 1998 and forecast for 1999. Wage and salary employment is forecast to increase 1.6% in 1999, and then slow to a rate of 1.5% in 2000. This rate of growth in employment will not be strong enough to keep the unemployment rate from rising to 4.0% in 2000 from 3.9% in 1999. Personal income, the broadest measure of economic activity available for Michigan, is expected to grow at a rate of 4.2% in 2000, which is down from the 4.4% increase forecast for 1999.

B. GENERAL FUND/GENERAL PURPOSE AND SCHOOL AID FUND REVENUE ESTIMATES

Total General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) revenues available to spend, are expected to total \$20.07 billion in FY 1999-2000. This estimate includes baseline revenue, the impact of enacted tax changes and revenue adjustments, Federal aid, transfers from other funds, and carryover balances from the previous year. These revenue estimates, excluding the estimated carryover balances and the revenue impacts of tax changes that were enacted in June and July 1999, were unanimously agreed to by the Engler Administration, Senate Fiscal Agency, and House Fiscal Agency at the May 1999 Consensus Revenue Estimating Conference.

Baseline GF/GP and SAF will increase 3.6% to \$19.5 billion in FY 1999-2000. This rate of growth is down from the 7.0% growth in baseline revenue forecast for FY 1998-99. Baseline revenues reflect what revenues will be without any changes in tax rates, bases, or exemptions from one year to the next, and without any one-time revenue adjustments or beginning balances. Therefore, baseline revenues help identify how changes in economic activity will affect revenues.

The enacted tax changes and tax adjustments, which are not included in baseline revenues, will reduce GF/GP and SAF revenue by an estimated \$494 million in FY 1999-2000. This amount includes the impact of the package of bills recently signed into law that reduce the single business tax rate, extend and expand the sales and use tax exemption for large trucks, expand the sales and use tax industrial processing exemption, and allow the industrial processing exemption to be apportioned based on the amount of time new equipment and machinery will be used for exempt purposes. Additional information on the change allowing the industrial processing exemption to be apportioned is provided below. This package of bills will reduce GF/GP and SAF

revenue an estimated \$184 million in FY 1999-2000. Some of the other key tax changes not reflected in baseline revenues include the reduction in the income tax rate from 4.4% to 4.3% effective January 1, 2000, a \$100 increase in the personal exemption on January 1, 2000, and full implementation of a new single business apportionment factor heavily weighted to sales. Somewhat offsetting the revenue loss from the various tax reductions is new tobacco tax revenue anticipated due to the new cigarette stamps.

One of the changes included in the package of bills that reduced the single business tax rate was to allow the industrial processing exemption to be apportioned based on the amount of time machinery and equipment purchased by manufacturers is used for exempt purposes. This change fixed a problem identified by the courts in *Michigan Bell v. Department of Treasury*. In this case, the courts ruled there was no statutory authority allowing the industrial processing exemption to be apportioned. The Department of Treasury had been apportioning this exemption for many years. As a result of this court ruling, the State would have had to refund an estimated \$235 million in FY 1998-99 for past sales and use tax overpayments, and sales and use tax revenue would have been reduced from what it otherwise would have been by an estimated \$60 million in FY 1999-2000. These revenue impacts were built into the consensus revenue estimates adopted in May 1999. The recently enacted change allowing the apportioning of the industrial processing exemption eliminates the need to make any refunds in FY 1998-99 and eliminates the loss of revenue in FY 1999-2000.

Table 1 presents the estimates of total GF/GP and SAF revenues for FY 1999-2000, along with the estimates for FY 1998-99. Presented are the estimates of baseline revenues, the revenue impacts from the various tax changes and other revenue adjustments, transfers from other funds, and the estimated beginning balances.

1. General Fund/General Purpose Revenue

Total GF/GP revenue available to spend in FY 1999-2000 is estimated at \$9.52 billion. This represents an increase of 1.6% from the FY 1998-99 level. These revenues include baseline revenue, the impact of the numerous tax cuts and other revenue adjustments, and the beginning carryover balance. Baseline revenue is expected to increase 3.8%, which compares with the 9.4% increase in baseline revenue anticipated in FY 1998-99. Most of this slower growth in baseline revenues is due to the estimated slowdown in overall economic growth, and in particular the slower growth forecast for capital gains and business profits. The revenue from the income tax and single business tax, which are the two major sources of GF/GP revenue, is expected to increase 3.9% and 4.6%, respectively, on a baseline basis. The impact of the various enacted tax changes and other revenue adjustments will reduce GF/GP baseline revenue an estimated \$502 million in FY 1999-2000. These adjustments include revenue reductions due to the single business tax rate reduction package of \$192 million and the income tax rate cut of \$131 million.

2. School Aid Fund Revenue

Total SAF revenue available to spend in FY 1999-2000 is estimated at \$10.55 billion, which represents an increase of 4.4% compared with the estimated total revenue available in FY 1998-99. Much of this increase can be attributed to a large increase in the beginning carryover balance, which is expected to total \$438 million in FY 1999-2000, compared with \$274 million in FY 1998-99. Excluding the beginning balance, SAF revenue will increase only 2.8% in FY 1999-2000. The revenue generated by revenue sources earmarked to the SAF, which consist primarily of portions of the sales, use, income,

and tobacco taxes, in addition to the State education property tax and lottery net profits, will increase an estimated 3.5% on a baseline basis. The tax changes and revenue adjustments will actually increase SAF revenue an estimated \$7 million in FY 1999-2000 due to the fact that the much of the tobacco revenue, which is being increased by cigarette stamps, goes to the SAF, while none of the revenue losses due to the single business and income tax rate reductions will affect SAF revenue. In addition, the grant from the General Fund and Federal aid will not change in FY 1999-2000 compared with their respective levels in FY 1998-99, while the transfer from the Budget Stabilization Fund to fund payments to school districts as part of a court case settlement will decline, as scheduled, by \$42 million.

Table 1

GENERAL FUND/GENERAL PURPOSE AND SCHOOL AID FUND REVENUE ESTIMATES FY 1998-99 AND FY 1999-2000 (dollars in millions)			
	FY 1998-99	FY 1999-2000	Percent Change
GENERAL FUND/GENERAL PURPOSE			
Beginning Balance	\$55.2	\$15.7	(71.6)%
<u>Baseline Consensus Revenue Estimate</u>			
<u>Taxes:</u>			
Net Income	5,082.7	5,279.4	3.9
Single Business	2,620.0	2,740.0	4.6
Sales	103.7	104.0	0.3
Use	839.7	871.1	3.7
Cigarette	137.6	135.4	(1.6)
Insurance Company Premiums	174.0	178.4	2.5
Telephone & Telegraph	155.0	158.0	1.9
Estate/Inheritance	140.0	145.0	3.6
All Other Taxes	187.8	195.6	4.2
Subtotal Taxes	9,440.5	9,806.9	3.9
Nontax Revenue	197.6	197.6	0.0
Subtotal Baseline Consensus Revenue	9,638.1	10,004.5	3.8
<u>Tax Changes & Adjustments not included in Baseline:</u>			
Adopted prior to June 1999 ¹⁾	(371.1)	(309.8)	(16.5)
Single Business Tax Reduction Package ²⁾	50.1	(191.7)	(482.6)
TOTAL GF/GP REVENUE	\$9,372.3	\$9,518.7	1.6%
<p>1) FY 1998-99: Income tax cuts and impact of Federal changes, \$(87.1); intangibles tax phase out, \$(45.0); impact of Federal law change on estate tax, \$(3.8); single business tax cuts, \$(101.6); insurance tax refunds, \$(76.4); sales tax net changes, \$31.7; use tax cuts and refunds, \$(151.0); tobacco tax stamps and other, \$20.1; interest increase due to shift in school aid and higher education payments, \$35.9; liquor purchase revolving fund transfer, \$6.5; and other, \$(0.4). FY 1999-2000: Enacted income tax cuts and impact of Federal changes, \$(226.2); impact of Federal law change on estate tax, \$(4.4); intangibles tax phase out, \$(50.0); single business tax cuts, \$(92.4); insurance tax credits, \$(5.0); sales tax net changes, \$52.2; use tax cuts and refunds, \$(36.4); tobacco stamps and other, \$18.3; interest increase due to shift in school aid and higher education payments, \$35.9; and other, \$(1.8).</p> <p>2) FY 1998-99: Single business tax rate reduction, \$(86.8); sales and use tax cut on rolling stock, \$(1.0); Michigan Bell fix, \$137.9. FY 1999-2000: single business tax rate reduction, \$(210.9); sales and use tax cuts, \$(16.0); and Michigan Bell fix, \$35.2.</p>			

GENERAL FUND/GENERAL PURPOSE AND SCHOOL AID FUND REVENUE ESTIMATES FY 1998-99 AND FY 1999-2000 (dollars in millions)			
	FY 1998-99	FY 1999-2000	Percent Change
SCHOOL AID FUND			
Beginning Balance	274.3	438.2	59.8
<u>Baseline Consensus Revenue</u>			
<u>Taxes:</u>			
Sales & Use Taxes	4,721.9	4,901.5	3.8
Income Tax	1,832.4	1,919.4	4.7
State Education Property Tax	1,311.8	1,382.3	5.4
Real Estate Transfer Tax	242.0	228.0	(5.8)
Tobacco Tax	357.1	351.4	(1.6)
Other Tax Revenue	153.0	153.5	0.3
Subtotal Taxes	8,618.2	8,936.1	3.7
Lottery	592.0	592.0	0.0
Subtotal Baseline Consensus Revenue	9,210.2	9,528.1	3.5
<u>Tax Changes & Adjustments not included in Baseline:</u>			
Adopted prior to June 1999 ³⁾	(90.5)	0.0	(100.0)
Single Business Tax Reduction Package ⁴⁾	94.1	7.4	(92.1)
General Fund Grant	420.6	420.6	0.0
Transfer from the Budget Stabilization Fund (BSF)	73.7	32.0	(56.6)
Federal Aid	120.0	120.0	0.0
TOTAL SAF REVENUE	\$10,102.4	\$10,546.3	4.4%
TOTAL GF/GP & SAF BASELINE CONSENSUS REVENUE	\$18,848.3	\$19,532.6	3.6%
TOTAL GF/GP & SAF REVENUE	\$19,474.7	\$20,065.0	3.0%
<p>3) FY 1998-99: Income tax cuts and impact of Federal changes, \$(13.3); sales tax changes and refunds, \$(27.7); use tax cuts and refunds, \$(75.2); State education property tax cuts, \$(24.1); real estate transfer tax cut, \$(0.7); and tobacco stamps and other, \$50.5. FY 1999-2000: Income tax cuts and impact of Federal changes, \$(21.5); sales tax changes and refunds, \$(2.4); use tax cuts and refunds, \$(18.1); State education property tax cuts, \$(23.0); real estate transfer tax cut, \$(0.7); tobacco stamps and other, \$45.8; and the new casino tax, \$20.0.</p> <p>4) FY 1998-99: Sales tax cut on rolling stock, \$(3.1); and Michigan Bell fix, \$97.2. FY 1999-2000: sales and use tax cuts, \$(17.4); and Michigan Bell fix, \$24.8.</p>			

ECONOMIC AND BUDGET STABILIZATION FUND (BSF)

The nature of Michigan's cyclical economy has caused budgeting problems in the State for many years. The pattern of budgeting in Michigan has been to increase spending on State programs and decrease taxes in the upturn of a business cycle and attempt to cut the same programs and increase taxes during economic downturns.

Because Michigan's economy is so cyclical and the State Constitution requires a balanced budget, the Legislature began work in 1976 on a proposal to combat dramatic fluctuations in State revenues. Public Act 76 of 1977 established the "Counter-Cyclical Budget and Economic Stabilization Fund" (BSF).

The Fund operates on two basic principles, budget stabilization and economic stabilization:

- The budget stabilization component of the BSF is designed to limit the severe fluctuations in revenue that the State experiences as economic conditions change. Through the Fund, the State sets aside revenue in years with good economic growth to be used in years when economic activity diminishes. This Fund, therefore, helps minimize the need for spending reductions and/or tax increases in order to meet the balanced budget requirement during economic slowdowns.

The budget stabilization payments into and out of the BSF are based on the annual growth in Michigan personal income less transfer payments adjusted for inflation. General Fund revenue is transferred into the Fund when the inflation-adjusted growth in Michigan personal income less transfers exceeds 2%. Transfers out of the BSF occur when the annual growth rate in real personal income less transfer payments is less than zero.

- The economic stabilization component of the Fund is designed to promote economic stability in periods of high unemployment. Any time that the Michigan unemployment rate exceeds 8% in a given quarter, the Legislature may appropriate money from the Fund in the following quarter for projects that are designed to create job opportunities.

The Fund first became effective in FY 1977-78. Table 2 provides a history of the Fund from FY 1980-81 through FY 1999-2000.

FISCAL YEAR 1997-98

In FY 1997-98, the BSF formula for determining payments into and out of the Fund, based on the growth in real Michigan personal income less transfer payments, generated no pay-in. A \$212.0 million withdrawal, pursuant to P.A. 144 of 1997, from the BSF was made on April 1, 1998, to pay the 84 plaintiff school districts in the case of *Durant v Michigan*. Interest earnings of \$60.1 million, the withdrawal of \$212.0 million, and the previous year's balance put the balance of the BSF at the end of FY 1997-98 at \$1,000.5 million.

The *Durant* resolution provided for a series of payments from the BSF over 11 years to Michigan school districts. After the initial BSF withdrawal of \$212.0 million in FY 1997-98, a withdrawal of \$73.7 million was made in FY 1998-99. In each fiscal year beginning in FY 1999-2000 through FY 2007-08, \$32.0 million will be withdrawn from the BSF.

FISCAL YEAR 1998-99

Pursuant to P.A. 137 of 1999, an estimated \$130.2 million will be deposited into the BSF. The estimated FY 1998-99 deposits consist of \$55.2 million which was the FY 1997-98 GF/GP ending balance, and an estimated \$75.0 million in appropriation lapses for FY 1998-99. Additionally, a \$73.7 million withdrawal from the BSF was made on October 1, 1998, to pay the school districts that were not plaintiffs in the *Durant* case and that agreed to accept settlement. Based on the estimated pay-in of \$130.2 million, the estimated pay-out of \$73.7 million, and the estimated interest earnings of \$48.7 million, the BSF balance will total \$1,105.7 million at the end of FY 1998-99.

FISCAL YEAR 1999-2000

Real personal income less transfer payments is expected to increase by 2.4%, which is a sufficient amount to require a BSF pay-in in FY 1999-2000. The estimated pay-in is \$37.1 million in FY 1999-2000. Pursuant to P.A. 124 of 1999, this \$37.1 million has been appropriated. However, a \$32.0 million withdrawal from the BSF will be made on October 1, 1999, to continue payments due to the *Durant* case. The previous fiscal year's year-end balance plus the pay-in, the estimated interest earnings, and the *Durant* case withdrawal will put the balance of the BSF at the end of FY 1999-2000 at an estimated \$1,167.9 million.

Table 2

ECONOMIC AND BUDGET STABILIZATION FUND TRANSFERS, EARNINGS AND FUND BALANCE FY 1980-81 TO FY 1999-2000 (millions of dollars)				
Fiscal Year	Pay-In	Interest Earned	Fund Pay-Out	Balance
1980-81	0.0	9.2	16.3	2.4
1981-82	0.0	0.6	0.0	3.0
1982-83	0.0	0.2	0.0	3.2
1983-84	0.0	0.2	0.0	3.4
1984-85	340.9	30.8	34.2	340.9
1985-86	30.6 ^{a)}	28.2	14.7 ^{b)}	385.0
1986-87	0.0	24.1	24.7	384.4
1987-88	0.0	29.2	20.4	393.1
1988-89	0.0	38.0	11.9	419.2
1989-90	0.0	35.8	69.9 ^{c)}	385.1
1990-91	0.0	27.1	230.0	182.2
1991-92	0.0	8.1	170.1 ^{d)}	20.1
1992-93	282.6 ^{e)}	0.7	0.0	303.4
1993-94	460.2 ^{f)}	11.9	0.0	775.5
1994-95	260.2 ^{g)}	57.7	90.4 ^{h)}	1,003.0
1995-96	91.3 ⁱ⁾	59.2	0.0	1,153.6
1996-97	0.0	67.8	69.0 ^{j)}	1,152.4
1997-98	0.0	60.1	212.0 ^{k)}	1,000.5
1998-99 ^{l)}	130.2 ^{m)}	48.7	73.7 ⁿ⁾	1,105.7
1999-2000 ^{o)}	37.1 ^{p)}	57.1	32.0 ^{p)}	1,167.9

a) An additional \$60 million of the required FY 1985-86 pay-in was diverted for prison construction. b) Economic stabilization withdrawal pursuant to P.A. 205 of 1986. Total amount appropriated as a pay-out was \$41.4 million, of which \$26.7 million actually was paid out in subsequent years for Capital Outlay spending. c) Withdrawal to fund additional School Aid expenditures. d) Under the provisions of a deficit reduction legislative agreement, \$150 million was automatically withdrawn and an additional \$20.1 million withdrawal was triggered to eliminate a year-end budget deficit. e) Pursuant to Section 218 of P.A. 191 of 1993 any FY 1992-93 year-end balance in excess of \$26.0 million had to be deposited into the BSF. This deposit, which occurred September 30, 1993, totaled \$282.6 million. f) Pursuant to P.A. 108 of 1994 any FY 1993-94 GF/GP year-end balance had to be deposited into the BSF. This deposit, which occurred September 30, 1994, totaled \$460.2 million. g) This pay-in includes: 1) Proceeds from the sale of the Accident Fund totaled \$177.6 million and were transferred into the BSF July 1, 1995, and 2) Pursuant to P.A. 159 of 1995 the FY 1994-95 year-end balance in excess of \$27.7 million, which totaled \$67.4 million, had to be deposited into the BSF, and 3) \$15.1 million in other restricted assets. This deposit was credited to October 1, 1995. h) Pursuant to P.A. 195 of 1995 \$90.4 million was authorized to be transferred out as follows: \$59.5 million to Miller Brothers, \$0.9 million for the court settlement liquidation damages, and \$30.0 million to Carnagel Oil Associates. November 13, 1995, \$60.5 million was transferred from the BSF, the remaining \$29.8 million was transferred from the BSF on January 1, 1996. i) Pursuant to P.A. 286 of 1995, the FY 1995-96 GF/GP year-end balance had to be deposited into the BSF. This deposit occurred September 30, 1996. j) Pursuant to P.A. 110 of 1997, \$69.0 million was appropriated to the Michigan Department of Transportation. k) The Durant resolution required a \$212.0 million pay-out on April 1, 1998. l) Senate Fiscal Agency estimate. m) Pursuant to P.A. 137 of 1999, \$55.2 million, the year-end balance for FY 1997-98 and an estimated \$75.0 million in appropriation lapses for FY 1998-99 will be paid-in. n) The Durant resolution required a \$73.7 million pay-out on October 1, 1998. o) Pursuant to P.A. 124 of 1999, \$37.1 million, the formula pay-in, is appropriated for FY 1999-2000. p) The Durant resolution will require a \$32.0 million pay-out on October 1, 1999.



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